DOW Inc. | Citi - 2023 Basic Materials Conference | November 28, 2023

Patrick:

Good morning, everyone. I appreciate you joining us here today. We're excited to have with us Jim Fitterling, Chairman and CEO of Dow. And in the audience we have Pankaj Gupta, Head of IR, and Juan Ilaria from his team. Jim was named CEO of Dow in 2018. He was elected board chair in April 2020. Before becoming CEO, he served as the COO. During his tenure at Dow, Jim has held leadership positions in many of the company's business units in Corporate Development and in Operations. He's a passionate advocate for inclusion and diversity. Jim has played a key role in transforming Dow to a company with a deep focus on high growth consumer driven end markets and its next generation sustainability goals, which I'm sure we'll discuss today. So please join me in welcoming Jim, who will provide some opening remarks, and then we'll get into our Q&A.

Jim Fitterling:

All right. Thank you, Patrick. And good morning or good afternoon, everyone. I'll begin by recapping our fourth quarter outlook, and then I'll discuss progress on our long- term strategy, which includes today's announcement of reaching final investment decision for our Alberta project, and then I'll close on how we're well positioned to drive shareholder value. If you look at the second slide, during our third quarter earnings call, we outlined our expectations for slower global industrial activity, weak demand in Europe, and a slower than expected recovery in China. Since the call, we've largely seen those trends continue in line with our expectations. Polyethylene prices in the U.S. settled flat in October. However, we have seen lower feedstock costs in the U.S., which have moderated from third quarter levels. We expect fourth quarter net sales to be near the midpoint of the $10 to $10.5 billion range that we provided at third quarter earnings.

We also expect fourth quarter earnings to be in line with our previously provided modeling guidance. Despite the slow macroeconomic environment, positive trends in the third quarter lead us to remain cautiously optimistic across our key product chains as we enter next year. Our decarbonize and grow, and our transform the waste strategies uniquely position us to meet demand for more sustainable and circular solutions. Altogether by 2030, these investments position us to deliver more than $3 billion increase to our underlying earnings through the cycle, while reducing greenhouse gas emissions by 5 million metric tons, as well as commercializing 3 million metric tons of circular and renewable solutions annually. And we continue to make meaningful progress, and today I'm pleased to announce that we reached the final investment decision for our Path to Zero project in Fort Saskatchewan, Alberta. And let me just provide a few more details about that project. Our Alberta project will build upon the strong foundation and the learnings from our TX-9 cracker where we have proven best in class execution, capital efficiency, reliability, and emissions reduction. TX-9's delivered more than 15% returns on invested capital since startup in 2017. That project was delivered at a 20% lower capital cost per ton, and it has conversion costs that are more than 65% lower compared to our Dow fleet, and it has the

lowest CO2 intensity in our fleet with approximately 60% less CO2 per metric ton than our average cracker, and that is without any decarbonization assets. We plan to apply all of these learnings to Alberta to drive underlying earning growth improvement of more than $1 billion per year while eliminating scope 1 and scope 2 emissions at the Fort Saskatchewan site.

The Alberta advantages give us confidence in our ability to deliver an additional $1 billion in incremental EBITDA annually over the cycle with returns on invested capital in line or better than the TX-9 project. First, Canada's feed stock advantage provides Dow with lower cash costs compared to the rest of the world, even more advantage than the U.S. Gulf. In addition, the region has ample existing cost advantaged ethane supply to support our project. We've leveraged this advantage by securing 20-year contracts with staggered start dates, which help us to mitigate recontracting risks over time. By leveraging engineering efficiencies, site optimizations, larger scale facilities, and improved construction techniques, Alberta is expected to have a lower capital intensity than TX-9 even when including the decarbonization assets. We're also partnering with established and trusted industry leaders, which will further enhance our project execution while reducing Dow's capital outlay. These includes Linde as our industrial gas partner for the supply of clean hydrogen and nitrogen using their world scale air separation and auto thermal reformer complex. Fluor has been contracted to provide front end engineering and design, procurement and construction management services.

Wolf Midstream will provide a 20-year contract for CO2 transportation along the Alberta Trunk Line, and Ravago will provide third party logistics for the finished product. In addition, ethylene and polyethylene demand is expected to continue to grow at approximately 1.2 to 1. 4 times GDP through 2050, supported by growing population and an increasing need by our customers for low emissions and circular products across high growth segments. And I want to highlight that we expect additional upside and value capture from commercializing low and zero emissions product that is not included in the $1 billion earnings growth number that I gave you. As global ethylene and polyethylene demand continues to grow, no new cost advantage ethylene capacity is expected to come online in North America until the 26 and 27 timeframe. Dow will begin construction next year with phase one startup expected in 2027 and phase two expected in 2029.

The total CapEx spend is expected to be $6.5 billion on this key growth project, with Dow's total enterprise CapEx to ramp to 2024 to approximately $3 billion and then exceed depreciation and amortization levels annually in 25, 26 and 27. And in those years, it'll be in the ballpark of $3 to $3.5 billion. We also expect to receive governmental support for this project, totaling more than $1.5 billion in cash and tax incentives for Dow. The majority of these incentives are expected to be received by Dow through 2030, which is closely aligned with our CapEx deployment for the project. We will be executing the project with a disciplined cost-focused mindset to achieve our targeted startup dates just like we did with TX-9. And over the long run, we remain committed to keeping our CapEx within D&A across the economic cycle and expect to return to those levels as we complete the project.

Dow has a decades long, robust project execution capability with an internal EPCM organization that provides thorough oversight and has a consistent focus on cost-effective engineering, procurement and construction services. Our teams have unique experience with site labor mobilization, optimization through these types of mega projects, which drives productivity, efficiency and safety from construction of the cracker through to utilities and derivatives. A program labor agreement has been established with all union and non-union organizations for the Alberta Path to Zero project, and a focused effort is underway to ensure that Dow provides the site of choice for the Albertan workforce. The Alberta project will also leverage Dow's large buyer and global sourcing competitiveness with more than 40 leveraged global program agreements for our material supply contracts being put in place. 100% of the large equipment requiring local fabrication and all other long lead time equipment items have already been placed on order.

These orders will help drive cost efficiencies for the project. The project will have a very positive impact on our employees in the community of Fort Saskatchewan and our collaboration with government officials, our indigenous neighbors, Alexander First Nations, and other partner companies have been key for this investment to move forward. Our performance year to date demonstrates our continued focus on financial and operational discipline. We remain on track to deliver $1 billion in cost savings in 2023 and remain focused on maximizing cash flow in the current macroeconomic environment. We've also taken significant actions since spin to enhance our financial flexibility, including reducing net debt and pension liabilities by more than $10 billion with no substantive debt maturities due until 2027 and lowering our cash commitments by approximately $1 billion, driven by significantly lower cash interest in pension liabilities, reduced share count and no joint venture cash contributions.

And while we have ample liquidity to deliver on our capital allocation priorities, we have over a billion dollars in additional unique to Dow cashflow levers. These include approximately $500 million from the pending Nova litigation, continued structural working capital improvements and other best owner mindset intervention actions. Our commitment to financial and operational discipline gives us confidence to continue to drive shareholder value, invest in our decarbonize and grow and transform the waste strategies and maintain a strong balance sheet while proactively navigating the near term macro challenges.

Our consistent execution and commitment to financial and operational discipline since spin have served us well and support our capital allocation priorities across the economic cycle. As a reminder, when Dow merged with DuPont to form DowDuPont, the new Dow transferred approximately $3 billion of earnings to the new DuPont and Corteva companies before spin.

The new Dow has already generated a peak earnings level in 2021 that was more than $3 billion higher than the old Dow's prior peak in 2018 on a proforma basis. Since spin, the new Dow has demonstrated a track record of a disciplined and balanced capital allocation and focused growth investments across our operating segments.

Our cash conversion rate has doubled on a trailing 12-month basis since spin, and we've returned more than 80% of our operating income to our shareholders, well above our 65% target across the economic cycle.

We've also grown operating EBITDA by $1 billion, demonstrating the impact of our focused CapEx investment. And our balance sheet is as strong as it's ever been, driven by our intentional actions since 2018. Giving us the flexibility to invest in our Alberta project, which will drive earnings and cash flow higher at or above our enterprise-wide ROC target. Our long-term Decarbonize and Grow and Transform the Waste strategies are expected to increase Dow's underlying EBITDA by more than $3 billion by 2030, with a peak earnings potential of approximately $15 billion by 2030, while also reducing net annual greenhouse gas emissions by 5 million metric tons from Dow's 2020 baseline.

So with that, Patrick, I'll turn it over to you and we can field some questions.

Patrick:

Yeah, thanks very much. No, a very exciting announcement on the Alberta Path 2 Zero project, so maybe I'll just jump on that so we don't bury the lead.

So you gave a little bit of rationale for why this was right place, right time, and at the right cost. So maybe I just want to narrow in on the cost here, the cost piece.

So the net of subsidies, it sounds like something in the range of about $5 billion. So maybe remind us, what's the ramp up going to be there? How are those economics potentially de-risked by premium economics or other forward things that we're not thinking about?

Jim Fitterling:

Right. So two phases to the project, 2027, 2029. The first is an investment in a new cracker, 1.2 million metric tons. And then an expansion of that to bring it up to a grand total of about 1.9 million metric tons total. All the polyethylene derivatives, utilities that go in place.

Remember there's an additional $2 billion of investments that are made by third parties, so Linde, Wolf, others that are going to support the infrastructure on site.

And then your net comment is the billion and a half of incentives that we'll get from the government through various different programs that Canada has in place.

The other thing I would mention, and I talked about it a little bit, this will be as competitive if not more competitive than Texas-9, with the added benefit of having zero scope one and two emissions.

And when you think about Texas-9, we really achieved a lot in that project. We were able to get it started up first in that wave of expansions. It was the best performance from a capital standpoint in that whole wave. And remember, we had not built a lot of capacity in the United States for more than a decade.

So we'll take the learnings from construction techniques and other things that we did right up into Alberta. And these projects don't happen overnight, so there's been a lot of work going on to get us to this point. In our process when we make final investment decision, we've done enough of the engineering then, we have firm bids in place for more than 85% of the content that goes into the project. So we have very good line of sight to what the CapEx will be for the project.

And then our focus shifts towards execution risk, and that's where our own EPCM in-house capability allows us to be. Even think about it as we are like the supervisor of the project, we don't just hand it over to somebody else to manage it. We are actively in there managing it, mitigating risk with them all the time.

Patrick:

Yeah. And it sounds pretty attractive, both on sort of a standalone basis and you add in the subsidies as well. But is there any potential for premium economics? Or in the past you maybe talked about a price on carbon as well?

Jim Fitterling:

There is, and we're working through that right now. Our team's actively working on looking at how that low carbon ethylene would translate into market pricing.

And I'd say two things that are underway, is very actively working on the standards from an accounting standpoint. So our brand owners actually desire these products, but they also need the auditability, the traceability, and the proof for the low CO2 numbers. This is all done with technology.

So the new cracker will have zero scope one and two emissions. And then once it's up and running, we will retrofit the existing cracker to have zero scope one and two emissions as well. So we'll have enough hydrogen capability to do that.

So that whole site will produce something like 3.2 million metric tons of zero carbon scope one and two ethylene. And that has value to the brand owners. They will need to make commitments on their

products, they need to put it on the labels, make claims, and we're working through the standard systems right now so they can do that.

And we have the capabilities, we have the IT system capabilities to be able to measure that, track it, trace it, get it audited, and provide them the proof that they need for their products.

Patrick:

Got it, that's helpful. And then maybe we'll definitely go back to some of the more circular and sustainable products.

Jim Fitterling:

Sure.

Patrick:

But now I want to just go to what everyone's talking about right now, is the macro. So you just gave the sort of helpful guide where pretty much at expectations for 4Q.

So maybe just looking to 2024, we've heard a number of companies talk today, and maybe cautiously optimistic at best is the way to describe it. So what are you seeing that makes you more or less confident for next year?

Jim Fitterling:

We have a lot of experience going through these cycles, and we started to see things slow down middle of last year. And so we're, depending on your math, we're 12 to 15 months into this.

Historically, in the 12 to 18 months timeframe you usually start to see things turn and you see yourself pull out of it. I would say China has not come back as quickly as we thought, but it is starting to come back.

The things that give me optimism is in third quarter we saw our third consecutive quarter of volume growth in our downstream derivatives on a quarter by quarter basis. And then in the third quarter we saw our first year-over-year volume growth.

So those are positive signs to me that things like destocking are behind us, and that the economy, as we start to see demand pull out, you're going to see an immediate pull on our chain.

And that typically happens. Our industry typically goes into a recession first and comes out first. And usually when the destocking happens there's a big whipsaw effect that hits us, and then when the demand pull comes it kind of hits us all of a sudden.

I would expect things may start with a gradual improvement, but I think '24 is going to be better and I would say by '25 we should... by the end of '24 into the beginning of '25, you're going to start to see probably mid-cycle earnings out of the portfolio.

Patrick:

Got it, that's helpful. And just maybe more specifically on polyethylene. So on the one hand we have elevated oil to gas spreads within... export strength has been there, but prices rolled over flat in October. Maybe there's still some signs of underlying demand weakness.

So where do we see polyethylene heading into next year? And which part of the cycle are we at?

Jim Fitterling:

Yeah. Volume is moving, so I would say I don't see real demand weakness. I see, obviously with oil price coming off, you see some price off pressure on price, which I think caused an October rollover.

There are still price increases out there for November, but typically fourth quarter is not the strongest quarter of the year. And this kind of season, where you're between the peak winter months for heating and oil and gas demand, you can see a bit of a lull in here.

So hard to predict from fourth quarter, but my sense is that the volume is there. We've seen export shipments out of the US consecutively every month here for the past several months hit new record levels, so we don't see the supply chain constraints that kind of hampered us a lot during COVID. That availability is there.

We don't see a lot of inventory in the chain. We think people have been managing cash pretty closely and have been more hand to mouth. And so I think when you see any demand pull that's going to come up.

We do see pockets of strength in some other areas, like in our functional polymers area. Those of you who follow like chip and semiconductors and data centers and what's going on there, demand for wire and cable products is very high right now, demand for silicones going into manufacturing of chips and routers and servers is very high, and that looks like that's going to be the case for the next few years. Infrastructure is driving things like piping for plastics, and that looks like it's going to continue. And I'd say the biggest drag has been housing and home construction, not just here, but China as well, Europe as well. And we're starting to see some green shoots, I'd say, coming in housing. Even though mortgage rates are tremendously high, if you believe that interest rates are at the top and may start to decline into next year, then that would start to create a little optimism around housing. We might start to see some positive moves there.

Patrick:

I mean, just across the context of the whole portfolio, if you do see sort of a flat to slightly improving housing market next year, do you think there's been enough destocking across that part, those end markets that you'll have some benefit from restock just on pure normalization there?

Jim Fitterling:

Well, I do think so. I mean, I think the places where housing hits hard, obviously insulation and building products, appliances, consumer electronics, those, I mean, you're finding great deals, for example, right now on consumer electronics for the holiday season. So I think you're going to see a tremendous push there. I think as you start to see new home builds or more people coming in to be first-time home buyers, that tends to pull demand for those products. I don't get the sense that there's a lot of inventory in that part of the chain.

I think automotive, which has been a strong suit for most of the year, in fact here in the U.S. as well as in China, especially EVs in China, continues to look good. And even the OEMs during the labor negotiations did not slow down. They wanted to keep their workforce moving because they knew that they would reach a contract agreement. I think we're going to see some positive momentum going into next year.

Patrick:

So you guys have executed a number of investments and you had some near-term cost actions this year to support that mid-cycle target that you've talked about, the $3 billion number. So let's start with those

billion dollars in savings this year. Can you help us understand how much of that was structural versus maybe things like deferred spend that comes back next year?

Jim Fitterling:

Well, most all of it was targeted at structural, so it was a little bit on the maintenance side of things that was a deferred out. But I would say we have a pretty strong target for next year on maintenance budget as well, so I don't expect a lot of that to snap right back.

Headcount reduction was an action that we took, so that's still in place. We did a lot on services, and of course we've got a lot of leverage coming back in from the procurement side. So those things I think are still with us. And then the one-time spending item. So it was about $500 million of structural, about $500 million of OpEx is the way I would look at it. And I'd say of the $500 million of OpEx, we should be able to keep almost all of that going into next year. And we are at right now, we are at kind of the full run rate of in the ballpark of $300 to $350 million this quarter. So you're already seeing the full quarterly run rate from the cost savings. And having been through a number of cycles, I think one of the things that we did positively as soon as we saw the volume declines start to come mid of 2022, we said we've got to take action and get ahead of it early. And I think that's what's helped underpin quarterly earnings this year.

Patrick:

And then maybe just on the 2024 outlook on things in your control. You've had a number of near-term growth investments, things like debottlenecking. So what sort of impact do you expect on 2024 earnings and if there are any sort of projects that you'd like to highlight?

Jim Fitterling:

You got about $250 million of year-over-year EBITDA improvement in 2024 earnings coming from investments that we've already made. These would be in areas like Dow Industrial Solutions, downstream and consumer solutions, some debottlenecking work that we've done in plastics. Those are all additive. We started up the FCDH process, which was a low CO2 process, to go from propane to propylene. It's not a large-scale unit, but it's 125,000 ton unit at our Plaquemine site. So that's going relatively well. It'll have a full year of operations next year, so that'll be positive. And those benefits will show up in the integration for our polyurethanes business at the Plaquemine site.

So I think you've got those things that are in flight. We continue to invest in our industrial solutions business and our consumer solutions business. And one of the reasons that CapEx will reach the $3 to $3.5 billion during that '25, '26, '27 is I don't want to slow those growth investments in those businesses at the same time we're doing Alberta. And we have the cash flow and the flexibility to be able to do that and still protect the balance sheet during that timeframe.

Patrick:

And then just beyond that, are there any other costs or structural levers you're looking at, maybe additional asset rationalization in Europe or other regions?

Jim Fitterling:

Sure. We had success in 2020 *[corrected by company]* in selling off some infrastructure assets in our U.S. Gulf Coast operations. These are around rail and marine terminals. And that has been a very positive experience. So we were able to keep our own cost structure in terms of those services, but a third-party

infrastructure company bought those and provides those services to us and also now provides services to others in the region. So they've been able to leverage that into growth. We're currently looking at the same kind of structure for more infrastructure assets on the Gulf Coast, including some pipeline assets that we have. And obviously, existing pipeline assets today to grow from is a very positive opportunity. And so we think we're going to get some high interest in that. So that's a near-term thing that we can do. And then we always constantly look at the portfolio for best owner mindset. Is there a better alternative for any of the businesses that are inside?

Patrick:

Got it. That's helpful. And I'd like to maybe touch on some of the other parts of the decarbonize and grow strategy. So one of the things you've talked about is decarbonization of your existing asset fleet. So what's the timeline for decarbonizing some of these assets and what would you need to see in terms of maybe its taxes, incentives to bring forward some of these investments?

Jim Fitterling:

Right. I'll use Canada as an example. Canada has got an existing market price on carbon. I think that's something that... And you've heard a lot of talk about that here in the US. I think having a price on carbon incentivizes the investment that needs to happen to make decarbonization work. You also have to have the policies to support it. You have to permit the carbon pipelines, you have to permit the hydrogen pipelines.

In our case, in our industry, we did some work with the American Chemistry Council that said six to eight hydrogen carbon capture hubs in the United States could decarbonize 85% of the industry. And so one of the beauties of the Canadian project is you're not talking about transporting hydrogen long distances, but the volume that we produce there, we take ethane, we make ethylene, and we make two byproducts, methane and hydrogen. Off the back of the cracker, we take the methane and hydrogen immediately to an auto thermal reformer, make pure hydrogen, and that feeds the furnace for the cracker.

So I don't have to have hydrogen storage. I just have a closed loop system. It's a pretty elegant, simple design. And I don't have to transport hydrogen a long way. I do have to transport CO2. The autothermal reformer allows you to scrub the CO2 out more cost- effectively, and then the Wolf carbon capture trunk line is there within a few kilometers of our site. We'll tie into that and we'll take that through them and they'll work with partners to sequester that underground.

So you need the policies to make that happen, and that's what's happening in the United States right now is we're trying to get those policies and that infrastructure in place. So Canada had a first mover advantage. They obviously had the gas supply and availability. We've got a great infrastructure there. They've got a price on carbon. They had a program very similar to what we have with the IRA called a net-zero accelerator program, which was to support hydrogen carbon capture. So investments in new technologies, R&D tax credits to be able to get recovery of that.

The CapEx for actually doing the decarbonization on that big project is about 10% more than the CapEx if that was a standalone project with no decarbonization. So that is not mind-boggling. If I was talking to you about green hydrogen, we might be talking about prices that are four or five or many times higher for green hydrogen, but this is incrementally higher. And so a little bit of tax incentive and a price on carbon goes a long way to close that gap. And then obviously the brand owners have a high demand for the product and they are willing to pay for that.

You think of a world today where people are paying more than a hundred dollars a ton for offsets that are questionable quality offsets versus a technology solution where when we retrofit the existing

cracker, we will reduce 1 to 1.2 million metric tons of CO2. Verifiable, auditable, can be proved. That is a real reduction in CO2. The new capacity will have zero CO2.

The retrofit capacity will be a real reduction. When we apply that capability to our other sites in the fleet, by 2050, we can get there. Half of our CO2 footprint is in ethylene production. Half of it is in power and steam. Power and steam, it's a little bit different at every site. Some sites obviously can use wind or solar, small sites, standalone sites, so that works. Some might use heat pump technology. Some, as we get to the end of life, they may go to a hydrogen fired boiler, in which case they may have a very low cost and reliable steam supply at the site. We are looking at some larger sites that don't have crackers, like our Seadrift Texas site, for onsite small modular nuclear. And so those are a range of solutions.

We have a pilot plant going with Shell in the Netherlands right now to look at electric cracking furnace coils. That's a little bit longer range. I'd say the big challenge there, the two big challenges, are a material that will stand up to the heat that you need to be able to crack hydrocarbons and have any life to it. One's a materials challenge, and second is you need low carbon energy to drive that whole thing and having enough low carbon electricity 24/7 to drive that is going to be the other big challenge. But we felt like it was worthwhile to do the research on that to see if that was an option that could work.

Patrick:

So the underlying technical challenge is still there for e-cracking. It's not just the low carbon electricity?

Jim Fitterling:

It is. There's still a little materials of construction that we've got to get through. But I think once we prove that out, look, we can figure out how to make fighter jets that can handle 3,000 degree Fahrenheit exhaust gas and stuff. So I think we can figure it out. What it's going to cost us, I think is going to be the question.

Patrick:

And then maybe just on the electricity power side, you've been open to potentially using small modular nuclear. You have the LOI with X energy and Seadrift. But we've seen some major setbacks for small modular here in the U.S. with delays and CapEx blowouts. So has your thinking changed at all on the prospects for nuclear there and how does it fit into broader plans? Or is it just one standalone asset there?

Jim Fitterling:

I want to go back to process for a minute. One of the reasons that we got engaged with X-energy was to bring our own project capability in place, and in our industry compared to say the utility industry where if you have a CapEx overrun, you're going to roll that into the rate base for the rate payers. So your focus and your pressure on cost to serve is maybe a little bit different than ours is. We can't be off by $100 a ton. We can't be uncompetitive and still be in the market so we have to be able to figure out how to do this. So we're working with X-energy to divide and focus our efforts here. They're obviously focused on the nuclear core of the project and we're focused on the non-nuclear side of the project trying to bring our project management capabilities to bear to say how do we get the cost of this whole package down to where industrial users will look at this and say it's a low cost alternative and I can make this work.

And then I'd say the second big challenge is we're working on the fuel supply. I feel good about the ability to get it permitted. It's a process that you have to go through and you have to be very methodical and very focused to go through it, but I think the two of us will get through that fine. But it's a different fuel type and so having the fuel supply and sourcing is important. The funding is there for that. You've

started to see investments taking shape. There's a company in Ohio now that started up to do high assay, low enrich uranium purification. And so there may be potential for another one to go. That's where DOE comes in and is working with us to get the fuel supply set up. So it's longer term, but I feel like we have a very good shot to get this up and running by 2030, and it has to be able to be low cost for the industrial side to look at it as a viable option.

Patrick:

Got it. That's helpful. And then maybe just putting this all together, let's talk about the balance of the capital allocation strategy. Much stronger balance sheet, better free cash flow yield versus prior cycles, but you now have these substantial growth investments. So how should investors think about potential shareholder remuneration?

Jim Fitterling:

Right. Well, our target has been, obviously, we want to support our organic growth investments, run the assets safely and reliably, support that dividend, have enough flexibility to be able to do some share buyback to cover dilution and more. This year, we're probably close to $1 billion dollars. I'll look at Pankaj, half a billion so far this year in share buybacks. So we've more than covered dilution already. We want the flexibility to be able to do that. So we go through every year and we look at a three-year, five-year outlook and say, "What are our CapEx needs? What are our priorities on our projects? What do our earnings look like? What's our cashflow look like?" And then we set an affordability target and we make our decisions and we move forward. I feel good about our capability to continue to do that.

We've got the debt structure in a good place. All of our debt, we don't have any maturities due until '27. All of our debt is fixed rate funded. We went through a lot of refunding of that debt during the low interest rate time period so we've got very good interest rate exposure. We're not exposed on the short term interest rate side of things. Our pension liabilities are down. As Howard mentioned on the call, in third quarter, we're actively working to retire more of those through annuation and also immunizing the pensions in different countries that are already fully funded. So I feel good that we have a good path to be able to do this. We have to make sure that the investments are accretive and the investments are accretive on an EBITDA basis and we can manage our affordability once we get through the project keeping that CapEx with D&A. I think it's going to be a pretty strong proposition for people.

Patrick:

All right, we'll finish on that note. So really appreciate your time here today.

Jim Fitterling:

Thank you. Thanks, everybody.

Patrick:

Please join me in thanking our speaker, Jim Fitterling.