

The Henry Fund

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Eastman Chemical Company (EMN)

Materials – Special Chemicals



September 29, 2025

Stock Rating: **Sell**

Investment Thesis

Price Target: \$Round

We recommend a SELL rating for Eastman Chemical Company with our target price of \$61 implying a downside of around 3%. Eastman's continuation in destocking, slow recovery from consumer end markets, along with its over-diversified product portfolio that deters margin efficiency, presents limited growth. All these factors lead to limited upside and support our SELL rating.

Drivers of Thesis

- **Rising inventory amid weak demand:** Eastman's inventory levels remain high despite limited demand and compressed margins, with an inventory/revenue ratio projected to stay near 21% before easing to 17%
- **Cyclical end-market exposure:** Heavy ties to automotive, construction, and consumer durables point to a slow recovery reflected in our modest 3% YoY growth outlook
- **High portfolio limits efficiency:** In comparison to peers who are more niche/specialized, Eastmans broad product base reduces specialization and operational efficiency, minimizing margins

Risks to Thesis

- **Stronger consumer rebound:** A faster-than-expected recovery in end markets could lift demand across Advanced Materials and Additives, improving margins
- **Shift toward higher-margin, narrower products:** Narrow focus on higher strength operations/products could drive meaningful specialization, thus yielding higher operational efficiency

Henry Fund DCF	\$60
Henry Fund DDM	\$61
Relative Multiple	\$34
HF % Downside	3%

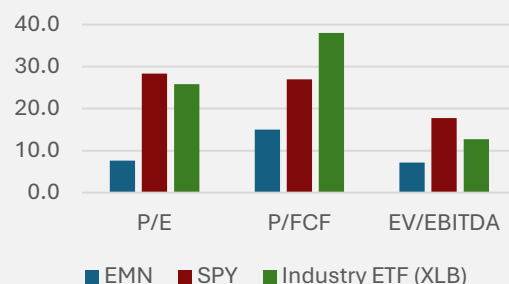
Price Data

Current Price	\$62
Date of Price	09/29/2025
52wk Range	\$56 – \$107
Consensus Price Target	\$71
Consensus % Upside	15%

Key Statistics

Market Cap (M)	\$6,968
Diluted Shares Out. (M)	\$7,059
Institutional Ownership	0.702%
Beta	1.04
Dividend Yield	5.30%
LT Growth Rate	2.50%

EMN vs. SPY & Industry ETF (XLB)



Earnings / EBITDA Estimates

Year	2022	2023	2024	2025e	2026e	2027e
HF EPS	6.42	7.54	7.75	6.88	6.46	6.78
% Growth	1.1%	17.4%	2.8%	-11%	-6.1%	5.0%
Street EPS	7.88	7.71	8.51	5.87	6.96	8.01
% Growth	-11%	-2.2%	10%	-31%	18.6%	15%
HF EBITDA	1,636	1,800	1,787	1,661	1,621	1,658
% Growth	-10%	10.4%	-0.7%	-7.1%	-2.4%	2.3%
Street EBITDA	1,826	1,803	1,885	1,523	1,671	1,810
% Growth	-16%	-1.3%	4.5%	-19%	9.7%	8.3%

Price Performance



Balance Sheet / Cash Flow Snapshot

	2022	2023	2024	2025e	2026e	2027e
Net Debt	4,658	4,298	4,180	4,634	4,673	4,643
Debt/Equity	0.98	0.88	0.86	0.85	0.78	0.80
FCF	580	799	957	258	673	723
CFO	975	1,374	1,287	771	1,210	1,310

Profitability

	2022	2023	2024	2025e	2026e	2027e
HF EBITDA	1,636	1,800	1,787	1,661	1,621	1,658
Gross Margin	25%	28%	30%	29%	29%	29%
Net Margin	7%	10%	10%	9%	8%	8%
ROA	3%	4%	4%	3%	3%	3%
ROE	10%	11%	11%	9%	8%	8%
ROIC	9.3%	9.1%	12.1%	10.9%	9.5%	9.5%

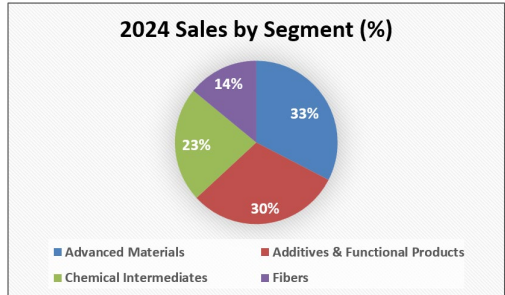
[Ticker] vs. Peer Group – Sales Growth

	2025e	2026e	2027e
EMN	-4.5%	1.7%	2.4%
DOW	-6.7%	2.7%	4.2%
LYB	25%	1.5%	0.5%
OLN	2.8%	1.4%	3.8%
HUN	5.0%	4.1%	4.7%

Company Description

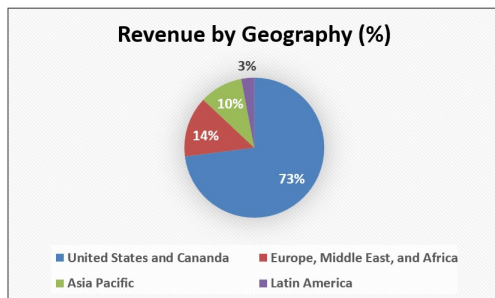
Founded in 1920, Eastman Chemical is a specialty materials company that develops a wide range of products used in everyday life. Eastman's target markets consist of transportation, building and construction, consumer durables, industrial chemicals, tobacco and many more, as reflected in Figure #3. Headquartered in Kingsport, Tennessee, Eastman serves locations from the United States, Canada, Europe, Asia Pacific, Latin America, and other geographic locations, shown in Figure #2. The company currently operates 36 manufacturing facilities along with equity interests in three manufacturing joint ventures in 12 countries. Aside from the United States, these locations consist of Germany, Spain, China, Malaysia, Mexico, Korea, and others.¹

Figure #1: Revenue by Product Line



Source: Henry Fund Model

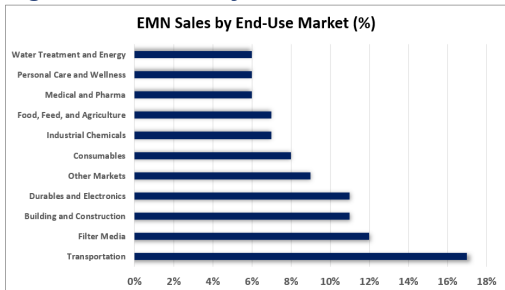
Figure #2: Revenue by Geography



Source: Henry Fund Model

As we see from Figure #1, Eastman's revenue portfolio is split between Advanced Materials (AM), Additives & Functional Products (AFP), Chemical Intermediates (CI), and Fibers. Advanced Materials and Additives & Functional Products make up the largest portion of Eastman's revenue mix, representing 33% and 31% of 2024 whilst Chemical Intermediates and Fibers represent 23% and 14% of the mix. Historically, AM and Fibers have steadily risen over the past several years, coming from 29% and 9% respectively. AFP and CI have been relatively stable hovering around their current percentages aside occasionally spikes that eventually subside. AM and AFP segments provide the highest gross margins, whilst CI and Fibers are lower, given they a smaller percentage of the mix.¹

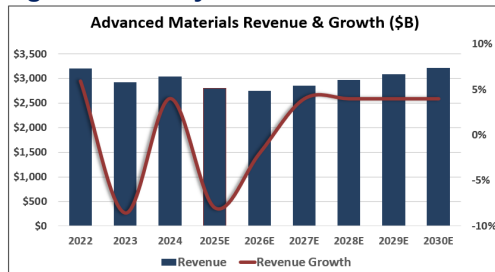
Figure #3: Sales by End-Use Market



Source: EMN 2025 10K

Eastman's segments behave in different ways. Advanced Materials (AM), Additives & Functional Products (AFP) are specialty materials based whilst Chemical Intermediates (CI) and Fibers are more commodities driven. While AM and AFP are more subject to innovation, performance, and long-term customer relationships, AFP retains meaningful exposure to commodity (feedstock) costs as well. In contrast, Chemical Intermediates and Fibers are tied more heavily to commodity markets, as demand and pricing are influenced by energy and raw materials costs.¹

Figure #4: Analysis on AM



Source: Henry Fund Model

Advanced Materials

The Advanced Materials line produces polymers, films, and plastics. These products serve industries including transportation, durables and electronics, building and construction, medical and pharma, and consumable end markets. As we see from Figure #4, despite an increase of 4% in 2024, we forecast revenues to decline 8% in 2025 and a further 2% in 2026. This reflects the continuation of customer destocking, which has weighed heavily across the automotive and construction end markets that represent almost 50% of this segment.¹

We expect destocking to remain an obstacle through 2026 before normalizing, with gradual recovery as inventory levels normalize. Although Eastman has reported positive earnings in this segment in

2024 due to end of destocking in key markets, we expect this recovery to be slow and inconsistent. Automotive production faces ongoing tariffs and trade tensions, while EV adoption is challenged by cost headwinds and U.S. restrictions on Chinese EV imports and batteries. Meanwhile, construction outlook remains mixed. In addition, while non-residential activity has been performing well, higher material costs, labor shortages, and inflationary pressures are limiting demand for specialty films and polymers.²

Given these variables, we have projected growth to stabilize at 4% post 2025 before tapering off to a long-term rate of 2.5%. While Eastman does possess high value specialty products such as its Tritan copolyesters and Saflex Q Series, given this segments heavy exposure to the cyclical industries that it operates in; we believe this will constrain its ability to drive a consistent recovery.

Additives & Functional Products

The Additives and Functional Products line produces products in food, feed, agriculture, transportation, water treatment and energy, personal care and wellness, building and construction, electronics, and consumables end-markets. This segment represents the most diverse line as each market end makes approximately 7-15% each.¹ While this diversification adds stability, it also means the segment is highly exposed to cyclical demand trends in multiple industries at once, particularly automotive, coatings, and construction.

As shown in Figure #5, we forecasted AFP revenues to grow 2% in 2025 before declining 1% in 2026. Closer-term performance will remain constrained by customer destocking in transportation and coatings markets, as recovery in demand has continued to slow down.¹ Although Eastman has been able to offset higher raw material and energy costs through higher pricing, we expect volatile feedstock and energy costs, heightened by ongoing geopolitical conflicts to limit margin recovery in 2026.³

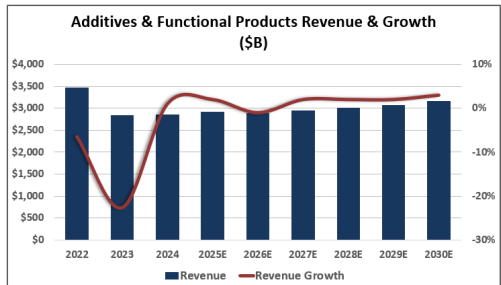
Beyond 2026, we have modeled a gradual recovery as inventories normalize and demand stabilize, with revenue growing 2% annual through 2029, then tapering toward a 3% growth rate in 2030. However, margins are likely to remain compressed in comparison to levels before 2022, due to weaker pricing power control in commodities, and higher input costs.

Chemical Intermediates

Chemical Intermediates sells excess intermediates beyond the Company's internal specialty needs into end-markets including industrial chemicals and processing, building and construction, health and wellness, and food and feed. The key technology platforms include acetyls, oxos, and plasticizers. Results were flat in 2024 as higher volumes were offset by weaker pricing.¹

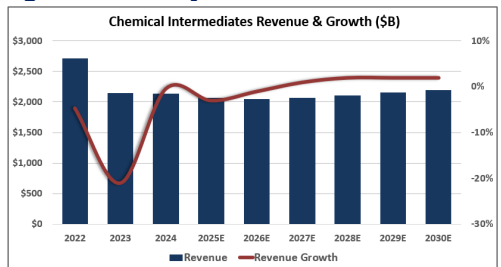
We expect performance to remain pressured by elevated feedstock costs (propane, natural gas, and ethane), soft demand and the

Figure #5: Analysis on AFP



Source: Henry Fund Model

Figure #6: Analysis on CI

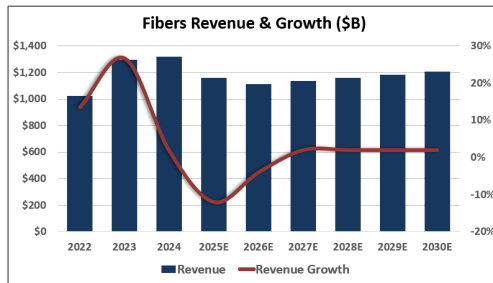


Source: Henry Fund Model

implementation of tariffs, as Eastman sources its feedstock sources globally.¹ We have forecasted a 3% decline in 2025 and 1% in 2026, followed by a modest rate of 1% in 2027, tapering to 2% longer term, shown in Figure #6. Given this segment's commodity nature and weaker pricing power, we believe this segment will have a slower recovery.

Fibers

Figure #7: Analysis on Fibers

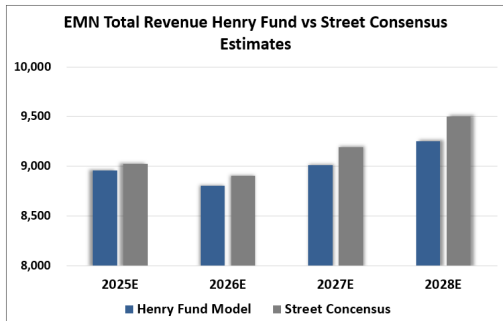


Source: Henry Fund Model

In Fibers, Eastman manufactures and sells acetate tow and triacetin plasticizers for use in filtration media, primarily cigarette filters; cellulosic filament yarn and staple fibers for use in filtration and friction applications, used primarily in transportation, industrial, and agricultural end-markets.¹ Cigarette filters account for much of the revenue mix in this segment, which may propose issues as tobacco continues to be criticized by the public.

Shown in Figure #7, we forecast revenue to decline 12% in 2025 and 4% in 2026 as demand for cigarette filters will weaken, along with the continuation of destocking, which has affected Fibers performance as well. Afterwards, we have estimated a modest rebound of 2% in 2027 as inventories are likely to normalize, but we expect this to remain at this minimal rate as the markets for tobacco have been declining, in which consumers are weighing towards substitution in alternatives such as vaping.

Figure #8: Revenue Analysis

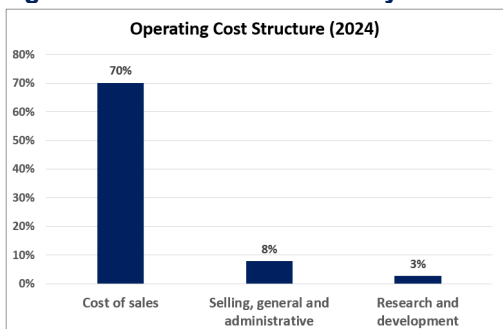


Source: Henry Fund Model, FactSet

Figure #8 compares our Henry Fund revenue projections to Street Consensus from 2025–2028. Across the forecast period, our model consistently trends below consensus, reflecting our more cautious view on Eastman's recovery trajectory. We expect ongoing destocking, slower rebounds in key end-markets such as autos and construction, and continued tariff-related disruptions to weigh volume growth. As a result, our revenue outlook reflects a more gradual improvement relative to the Street, reinforcing our overall bearish stance on the near - to-medium-term recovery.

Cost Structure Analysis

Figure #9: Cost Structure Analysis

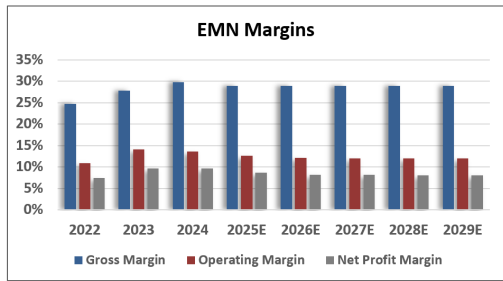


Source: Henry Fund Model

Eastman's cost structure is primarily driven by raw material and energy costs which make up most of the cost of goods sold. Much of these costs consist of key feedstocks used in their products and applications, which include propane, propylene, natural gas, ethane, etc. SG&A expenses have historically been between 7-8% of revenues, whilst R&D has grown steadily with the company's ongoing investment innovation, from 2.32% of revenues in 2018 to 2.66% in 2024, highlighted in Figure #9.

For our forecasts, COGS is modeled at 71% of revenues, reflecting historical trends and the absence of company initiatives that could substantially alter these costs. SG&A is projected as a stable percentage of sales, while R&D grows at 3% annually to support continued innovation such as Eastman's continued funding for molecular recycling projects.

Figure #10: Margin Analysis



Source: Henry Fund Model

Highlighted in Figure #10, these assumptions produce forecast gross margins of 29%, operating margins of 12%, and net profit margins of 8% consistently throughout the duration of the model, all slightly lower historical levels. These margin compressions reflect our outlook on future cost pressures in commodity segments, limited pricing controls, and structure inefficiencies in the company's diversified portfolio. Although the company is expecting to continue growth through R&D, we believe that margins will not return to favorable levels of years before 2022, because of these factors.

Additional Company Analysis

As mentioned in the company description, Eastman differentiates itself through its Advanced Materials and Additives & Functional Product segments, which emphasize customer relationships, specialty chemicals, and sustainability initiatives from their molecular recycling innovations. This positions the company as a sustainability leader relative to other peers.¹

As tariffs remain one of the main factors that has been shaping the special chemicals industry, it is important to note how Eastman's segments are affected. Chemical Intermediates faces the highest exposure to tariffs as all key raw materials (propane, natural gas, ethane) used in products are outsourced and traded globally. Advanced Materials and Additives & Functional Products are also subject to tariffs however they are less affected as they can offset this due to higher product differentiations.¹

As recent months have sparked a recent concern of a recession occurring, Advanced Materials and Additives & Functional Products lines would be affected the most, as these segments consist large parts of their markets in automotive, construction, and consumer durables, which are typically cyclical at downturns.

Figure #11: Debt Maturity Analysis

Fiscal Year	Coupon (%)	Payment (\$m)
2025	3.80%	450
2026	1.875%	518
2027	7.60%	196
2028	4.50%	496
2029	5.00%	495
Thereafter	20.825%	2882
Total	43.60%	5017

Source: EMN 2025 10K

Debt Maturity Analysis

As of December 2024, Eastman had a total debt of 5.017 billion outstanding, which is higher compared to 2023 that had 4.8 billion debts outstanding.¹ As we can see from Figure #11, there will be a required payment of \$450 million by the end of 2025, consisting of a coupon rate of 3.80%. After accounting for capex and estimated paid dividends for 2025, we have an estimated operating cash flow of negative \$162 million, which may propose some issues. However, operating cash flow is estimated to jump back to \$1 billion for future years, which will help Eastman proceed to a more positive position.

Figure #12: Debt/Credit Peer Analysis

Company	D/E Ratio	S&P Rating
Eastman	0.86	BBB
Dow Inc	1.02	BBB
Lyondell	1.04	BBB
Celanese	2.50	BB+
Olin	1.56	BB+
Huntsman	0.76	BB+

Source: FactSet

From Figure #12, Eastman maintains a relatively stable D/E Ratio in comparison to peers, suggesting the company has more stable financial leverage in funding its operations, reflecting lower financial risk. In addition, a credit rating of BBB for Eastman reflects the adequate capacity to meet their financial obligations. Although Eastman is in line with its two other peers at higher ratings, S&P has revised its outlook from Stable to Negative in August of 2025 due to the unstable economic environment of global tariffs, weakened demand across key markets, and geopolitical tensions. We believe

it is possible for Eastman to move from BBB to BB+, reflecting a high yield (junk) bond rating.⁴

ESG Analysis

Eastman emphasizes that sustainability is a business imperative as the company highlights leveraging their scale, integration and technology platforms to solve the world's most significant problems. Strategic focus includes targeting three critical areas, including the global plastic waste crisis, climate change, and carrying for society.⁵ However, recent ESG controversies including litigation over toxic emissions and repeated air quality violations occurred in 2025.⁶ We believe this reveals a sharp disconnect between this mission statement and the company's track record.

These controversies and events resulted in Eastman's ESG Risking rating worsening to 33.72 (High Risk) by MorningStar Sustainalytics. This rating reflects significant unresolved ESG risks in comparison to peers.⁶

Figure #13: ESG by Company



Source: Morningstar Sustainalytics

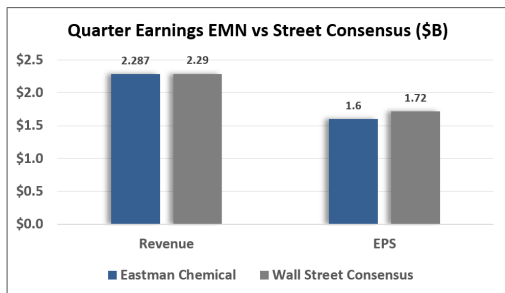
As shown in Figure #13, Eastman is ranked the highest amongst its peers. High risk ESG ratings may negatively impact investor confidence, along with significant ESG concerns that could adversely affect the company's long-term operational or financial performance. As its peers have Medium Risk, this reflects a moderate level of risk exposure, with some areas that could pose challenges if not addressed properly. Therefore, Eastman is not in a favorable ESG rating position, indicating investors may need to be cautious.

Recent Developments

Recent Earnings Announcement

On June 30th, 2025, Eastman released Q2 earnings, highlighting performance for the year. Sales underperformed in last year's Q2 earnings showcasing a decline of \$76 million for the current year. Earnings per share also declined by roughly 38% from last year's earnings per share, coming from \$1.94 to the current \$1.60 per share, shown in Figure #14. Lack of performance is due to a decrease in demand in housing/building and automotive end markets. Additional reasons include a continuation in inventory destocking, global trade disputes in China, implementation of ongoing tariffs, and an unfavorable commodity market. It is also important to note that the company had an unplanned outage, reducing EBIT by approximately \$20 million. Management has not stated what caused the outage.¹

Figure #14: Eastman Q2 vs Consensus



Source: EMN Q2 Earnings

Management expects to see a continued decline in volume due to economic uncertainty regarding the current tariff environment and underlying demand. However, the company has plans to bring its inventory down by more than \$200 million below current levels and to increase profit/cost margins from increased activity from their Kingsport methanolysis facility.¹ We believe that their inventory/revenue ratio metrics will continue at its elevated rate of

21% due to weaker activity within the auto/housing markets, which comprise a large portion of their Advanced Materials/Additives & Functional Products lines. This will make it more difficult for the company to make a rebound to slash inventory, as there is still pessimism within the activity of demand.

Although management expects growth from the Kingsport facility, we believe this will not offset ongoing macroeconomic and industry turmoil. While this initiative strengthens Eastman's long-term positioning in circular and sustainable materials, particularly within Advanced Materials and Additives & Functional Products, we believe it will not offset near-term headwinds. As we expect the continuation of weakened demand of the automotive/construction industry and margin compressions due to tariffs, this is highlighted in our decrease in total revenue of approximately 5% and a decrease in earnings per share to \$6.88 for the year.

Environmental & Legal Controversies

In 2025, Eastman faced many legal environment/safety controversies. The company was fined more than \$23,000 for multiple air quality violations at their Kingsport, Tennessee plant. It has been stated Eastman missed required testing deadlines, went over emission limits, and reported excess releases of carbon monoxide, sulfur dioxide, alongside other pollutants.⁷

In Longview, Texas, a federal lawsuit was filed against Eastman in early June as six individuals came forward to claim that the plant caused four of them to be diagnosed with breast cancer due to the high levels of emissions. The lawsuit had stated that each of the individuals had lived, worked, and frequently visited nearby near the plant. Eastman operates in ethylene oxide production, also known as EtO, a highly carcinogenic gas referred to as "probable cancer causing" to those consistently exposed to it. Later, the U.S. Environmental Protection Agency found the area surrounding the plant had elevated risks of this carcinogen, in which the company self-reported themselves admitting to releasing more than 565,000 pounds of EtO in the Longview community by 2022. Therefore, Eastman has been accused of two counts of negligence for the emissions and one count of loss of consortium.⁸

Harrison County Project Delay

In August 2025, Eastman announced there will be a delay in construction of its \$1.2 billion molecular recycling facility in Harrison County, Texas. This delay was attributed to the loss of \$375 million in federal funding, resulting in postponing the project for 2 years. This was due to the U.S. Department of Energy's announcement that it would cut \$3.7 billion in clean energy grants. Therefore, the company has plans to appeal against the current administration's decision to cancel federal funding of the project, highlighted by company spokesperson Kristin Parker. This facility was expected to be completed in 2028, however with these circumstances, it is expected to be completed around 2030.⁹ Given that Eastman's molecular methanolysis facility is their key differentiator in

positioning themselves against peers for being able to break down hard-to-recycle plastics and materials, we believe this will slow down Eastman's expansion plan, adding that this is their main initiative to lift them above current and future downturns.

Industry Trends

Post Destocking Recovery

Figure #15: Destocking Trend



Source: St Louis FRED

As of 2025, destocking has largely been reported as complete. However, demand across key end-markets has remained weak, particularly in automotive and building/construction, which has delayed the recovery for many companies. Whilst facing slow demand, anticipation of global tariffs incentivized many companies in the industry to “pre-stock” prior to tariff implementations, ultimately adding heightened inventory, directly impacting Eastman.¹⁰

Special chemicals have faced an array of inventory cycles since the COVID-19 outbreak in 2020. The pandemic initially led to weak demand, lower revenues, and reduced production. Then, from 2021 to 2022, demand rebounded but fears of shortages and ongoing supply chain uncertainty drove companies to overstock their inventories. Also, higher interest rates and geopolitical tensions (Russia-Ukraine war) decreased demand in Europe whilst driving up energy costs, straining this issue further.¹¹

Whilst destocking has gone down and tapered off since then, we believe much of the industry has ways to go to make a full recovery of inventory efficiency, in Figure #15.¹² Therefore, this leads us to our elevated inventory to revenue ratio of Eastman of 21% to 17% in the next years.

Figure #16: Chemical Maker Exports by Geography



Source: Elchemy

Global Tariff & Trade Tensions

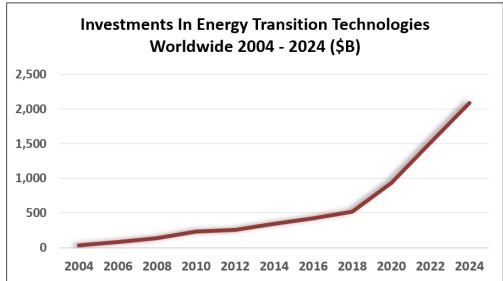
The implementation of import tariffs has become a substantial feature of U.S. trade policy, supply chains, pricing, and competition across the special chemicals sector. Tariffs between the U.S. and key trading partners such as China, Canada, and Mexico have introduced uncertainty regarding how the industry's operation efficiency will be managed going forward. China is especially critical, as it plays a central role in production for this industry, yet has been subject to some of the highest proposed tariff levels. Geographic locations affected the most are reflected in Figure #16.¹³

For the special chemicals industry, tariffs have altered trade flows, disrupted supply chains, and led to heightened price volatility. The American Chemistry Council estimates that prices for key chemicals such as ethanol and monethylene glycol could increase between 170-228%, under current circumstances, adding significant cost pressure. Aside from these variables, companies have faced supply chain reliability and the need to diversify sourcing, which increase

operational complexity and potentially slowing growth going forward.¹⁴ Going forward, the Henry Fund believes global tariffs will continue to shape U.S. trade policy for the next years, ultimately continuing to strain Eastman and the industry.

Policy & Energy Transition Changes

Figure #17: Investments in Energy



Source: Statista

Energy transition is the shift from the usage of fossil fuels to cleaner and renewable energy sources.¹⁵ This has been shaped heavily by U.S. policy legislation landmarks such as the Inflation Reduction Act (IRA), CHIPS act, and Infrastructure Investment & Jobs Act (IIJA). These pieces of legislation have created powerful incentives in manufacturing support for clean hydrogen, carbon sequestration, advanced materials, and recycling infrastructure. These acts directly affect special chemicals as the industry is both a large energy consumer and a key supplier of materials/goods for clean energy infrastructure.¹⁶ Energy transitions have remained strong throughout the past 20 years, shown in Figure #17.¹⁷

In 2025, new legislation known as the “Big Beautiful Bill” introduced modifications to several IRA provisions. These changes include stricter domestic content requirements, expanded foreign-entity restrictions, and accelerated qualification deadlines for certain clean-energy incentives. Several credits and subsidies are being revised, scaled back or set earlier than originally planned, creating increased uncertainty around long-term energy transition planning.¹⁸ This has directly affected Eastman’s targeted start-up of their incoming methanolysis facility in Harrison, Texas.

For special chemicals, these policy shifts create both risks and opportunities. Reductions or modifications in clean-energy incentives could undermine returns on sustainability projects and weaken investor confidence in future long-term decarbonization strategies. Conversely, continued incentives for variables such as recycled bio-based feedstock and carbon capture can support innovation and investment alignment across the industry.¹⁸ Given that the IRA remains the most substantial U.S. climate policy to date with over \$350 billion allocated – changes to its structure may influence the scale and pace of future transition-related investments within the industry. The Henry Fund takes a cautious approach and expects these policy changes to remain an ongoing factor within the next year, as there are steps for this move by the administration.

Markets and Competition

EMN’s Peer Group

Figure #18: Peer Comparison

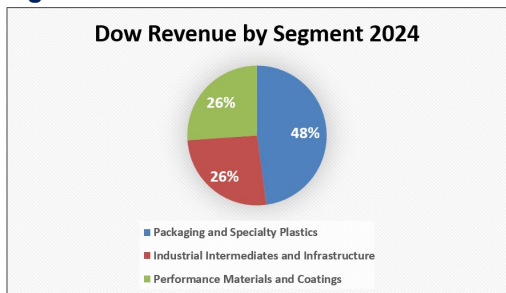
Company	Mkt Cap	Revenue
Eastman	6,872	9,382
Dow Inc	16,297	42,964
Lyondell	14,580	40,323
Celanese	4,264	10,280
Olin	1,511	6,036
Huntsman	2,296	6,540

Source: FactSet (\$ Billions)

The global special chemicals industry was valued at \$701.82 billion in 2024, and it has an expected CAGR of 5% from 2025 to 2030.¹⁷ This peer group was selected based on similar product lines that overlap with Eastman in its specialty materials and commodity chemicals, as well as market capitalization and scale relevance. Dow Inc, Celanese Corporation, LyondellBasell, Olin Corporation, and Huntsman, shown in Figure #18, represent well established players in the special chemicals industry, as each have balance in exposure to specialties and commodities markets.¹⁹ These peers have similarities with bases in automotive, construction, packaging, consumables, and electronics end-markets, with geographic locations spanning to Europe and Asia outside North America. The competition within this industry is based on innovation, scale size, and cost efficiencies under economic strains. This industry is very cyclical, with long-term growth prospects being heavily tied to GDP trends and strategic innovation in its material applications. Main risks that face the industry are energy and raw material volatility, environment legislation, and pressure in creating more sustainable alternatives.²

Dow Inc.

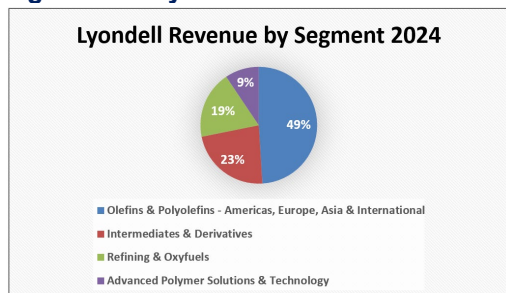
Figure #19: Dow Inc. Revenue



Source: FactSet

Dow Inc. is a globally integrated chemicals company, headquartered in Midland, Michigan. This company focuses on Packaging & Specialty Plastics, Industrial Intermediates & Infrastructure, and Performance Materials & Coatings, shown in Figure #19. Key product groups include commodity monomers and polymers, performance plastics, silicones, coatings, and specialty additives across construction, packaging, transportation, electronics and water/power markets. Dow Inc. emphasizes sustainability projects and circularity initiatives.

Figure #20: Lyondell Bassell Revenue

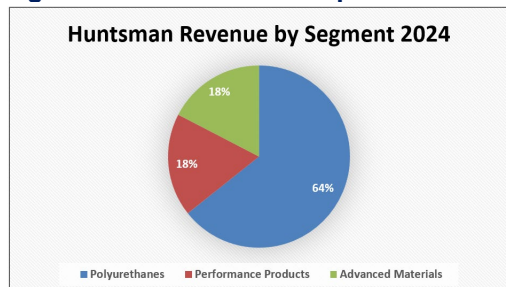


Source: FactSet

Lyondell Bassell

LyondellBasell Industries is a global plastics, chemicals, and refining company, headquartered in Houston, Texas and Rotterdam, Netherlands. Its main segments include Olefins & Polyolefins, Intermediates & Derivatives, Advanced Polymer Solutions, Refining, and Technology Licensing & Catalysts, shown in Figure #20. Key products include ethylene, propylene, polyethylene, polypropylene, propylene oxide, acetyls, compounded plastics, engineered resins, and fuel products. The company serves packaging, automotive, construction, electronics, and industrial markets.

Figure #21: Huntsman Corp. Revenue

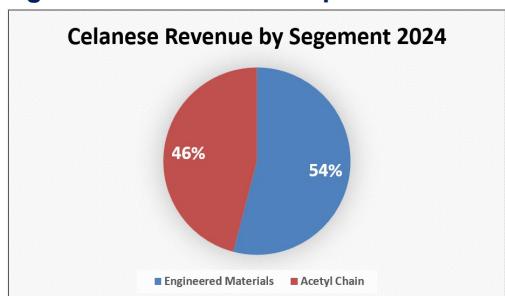


Huntsman Corporation

Huntsman Corporation is a global manufacturer of differentiated and special chemicals, headquartered in Woodland, Texas. The company operates through three segments called Polyurethanes, Performance Products, and Advanced Materials, highlighted in Figure #21. Its product portfolio consists of specialty resins, amines, polyurethane-based products, and maleic anhydride, which serve market ends such as construction, automotives, aerospace, textiles, and industrials. Huntsman operates innovation in energy efficiency and sustainability solutions across its specialty materials space.

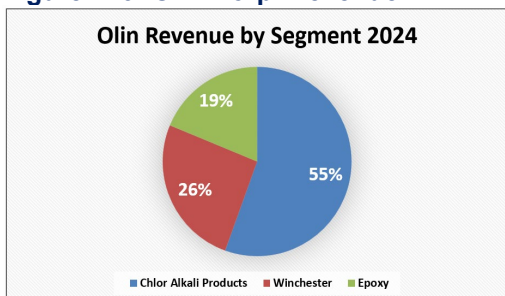
Source: FactSet

Figure #22: Celanese Corp. Revenue



Source: FactSet

Figure #23: Olin Corp. Revenue



Source: FactSet

Figure #24: Profitability Ratios

Company	Gross Margin	Oper. Margin	EBITDA Margin
EMN	24.86	14.34	19.77
DOW	10.37	4.80	11.54
LYB	10.92	6.46	7.94
CE	22.08	10.80	18.41
OLN	14.35	1.23	4.93
HUN	11.74	5.24	13.6

Source: FactSet

Figure #25: Return Metrics

Company	ROA	ROE
Eastman	6.06	16.11
Dow Inc	1.92	6.14
Lyondell	3.73	10.69
Celanese	-6.12	-24.69
Olin	-2.26	-5.22
Huntsman	1.42	5.1

Source: FactSet

Figure #26: Leverage & Capital Ratios

Company	Debt/EBITDA	Capex to Sales
Eastman	2.71	9.06

Celanese Corporation

Celanese Corporation is a global chemical and specialty materials company, headquartered in Irving, Texas. Shown in Figure #22, the company operates through Engineered Materials and Acetyl Chain. Key products include high-performance polymers and engineered resins, acetic acid and derivatives, vinyl acetate monomer, and cellulose acetate for cigarette filters. Celanese serves end markets such as automotive, electronics, medical, coatings, adhesives, and industrial applications, with a focus on both specialty and commodity chemicals.

Olin Corporation

Olin Corporation is a U.S.-based chemical and ammunition manufacturer, headquartered in Clayton, Missouri. Its primary segments are Chlor Alkali Products, Epoxy, and Winchester according to Figure #23. Key products include chlorine, caustic soda, vinyl intermediates, epoxy resins and curing agents, and small caliber ammunition. Olin serves chemical, plastics, coatings, electronics, water treatment, and defense/recreation markets.

Profitability Ratios

As shown in Figure #24, Eastman's profitability profile is mixed relative to peers. The company's gross margin of 24.9% is among the highest in the group, reflecting its specialty-oriented product mix and ability to price above peers such as Dow and LyondellBasell. However, this advantage narrows more at the operating level. Eastman's operating margin of 14.3% is only just ahead of Celanese and meaningfully above lower-margin commodity players like Olin and Dow. Similarly, Eastman's EBITDA margin of 19.8%, while competitive with its peers, is only just ahead of Celanese. Overall, Eastman maintains stronger pricing and profitability, maintaining an edge over its peers.

Return Metrics

As shown in Figure #25, Eastman's returns are relatively well in its peer group. The company's ROA of 6.1% and ROE of 16.1% are the highest among the selected peers, reflecting comparatively stable profitability and more efficient asset utilization. In contrast, several peers - including Celanese and Olin - reported negative returns due to restructuring charges, weaker pricing, and margin compression across cyclical end markets. While Eastman's returns are stronger than these more volatile commodity-oriented peers, they still fall behind what would typically be expected from a more focused specialty chemicals company, given the macro-economic turmoil environment the industry is currently facing.

Leverage & Capital

As shown in Figure #26, Eastman maintains moderate leverage relative to peers, with a Debt/EBITDA ratio of 2.7x, slightly below Dow and Huntsman and meaningfully lower than more highly levered players such as Celanese (6.6x) and Olin (5.1x). However,

Dow Inc	3.30	6.84
Lyondell	2.70	4.56
Celanese	6.65	4.23
Olin	5.06	3.00
Huntsman	3.20	3.90

Source: FactSet

the company's Capex-to-Sales ratio of 9.1% is the highest in the group, reflecting a more capital-intensive operating structure. A large portion of this spending is tied to Eastman's investment in circular economy initiatives, including its Kingsport methanolysis recycling facility and planned expansions of its molecular recycling platform. These projects require substantial capital and add to the company's structure base, contributing to higher capital intensity.

Valuation Metrics

As highlighted in Figure #27, Eastman trades at a modest premium to peers on a price-to-sales basis, with a P/S multiple of 0.77x compared to the peer range of 0.26x to 0.45x. This reflects Eastman's comparatively stronger profitability and more resilient earnings profile during a period in which several competitors reported negative EPS and therefore lack meaningful P/E multiples. On an EV/EBITDA basis, Eastman's valuation of 8.1x is generally in line with commodity-oriented peers such as LyondellBasell and Dow but below the higher multiple assigned to Celanese (10.6x), a more focused specialty chemical producer. Overall, Eastman's valuation appears reasonable relative to its mixed portfolio structure, trading at a premium to lower-margin commodity peers due to more stable performance, but at a discount to purer specialty peers given its broader product base, and higher capital expansion.

Figure #27: Valuation Metrics

Company	P/S	EV/EBITDA
Eastman	0.77	8.05
Dow Inc	0.40	8.82
Lyondell	0.45	8.17
Celanese	0.44	10.56
Olin	0.26	14.34
Huntsman	0.34	7.78

Source: FactSet

Product Base vs Peers

Eastman maintains a product portfolio that consists of both specialty materials and commodity-adjacent businesses, positioning the company in an unfavorable middle ground relative to peers. While companies such as Dow and LyondellBasell operate with a clear commodity-scale focus, and peers like Huntsman and Celanese maintain more concentrated exposure to higher-margin specialty products, we believe Eastman's broader scope limits its ability to fully differentiate in either category.

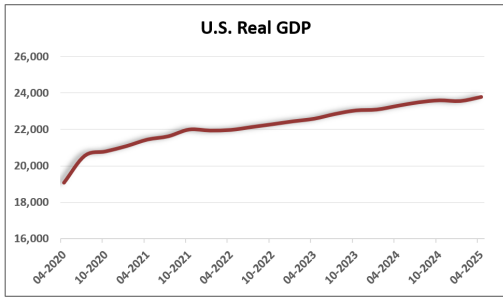
We believe this lack of strategic focus constrains margin expansion and capital efficiency, as management attention and investment are spread across a wide range of end markets and product lines. As a result, we believe Eastman lacks the focused specialty exposure required to consistently justify future premium valuation multiples, while not fully capturing the scale advantages utilized by pure-play commodity producers. Putting aside the macroeconomic headwinds the company has been facing, we believe this structural position will contribute to a difficulty in its competitive landscape with its peers and reinforces our sell rating.

Economic Outlook

Real GDP Growth

Real GDP has increased to a rate of 3.8 percent in the second quarter of 2025, in comparison to a decrease of 0.6 percent in the first quarter, shown in Figure #28. This upturn in growth is primarily a reflection of a downturn in imports and an acceleration in

Figure #28: Real GDP Growth



Source: St Louis FRED

consumer spending with a fall in investments partially offsetting these variables. Although GDP growth has increased, it is expected that the effects of tariffs are prone to weigh in later at Q4 along with Q1 & Q3 of 2026, according to the Conference Board.²⁰

A slowdown in GDP growth has been shown to correlate with decreased business activity within market ends of construction and automotives. This directly affects Eastman as a large amount of their revenue portfolio is within these products lines, reflected in advanced materials. This may also delay new infrastructure projects or product launches, as economic outlook may grow pessimistic during low GDP growth.

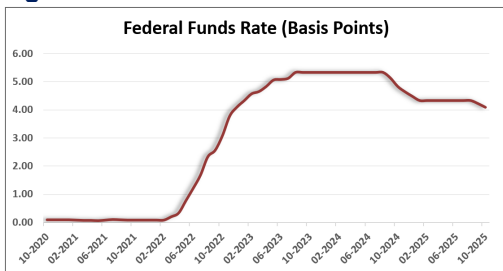
As the Federal Reserve recently cut its interest rates by 25 basis on September 17 2025, this is expected to help offset the turmoil that has been occurring within the current weakening labor market and consumer confidence. However, with rising inflation combatting this, this may introduce some more potential problems in economic growth. Therefore, we believe that GDP growth will lower by around 1% in the coming years, reflecting these factors.

Interest Rates & Foreign Exchange Rates

As of mid-September 2025, the Federal Reserve maintained the Federal Funds within the 4.00-4.25%, shown in Figure #29.¹²

Elevated interest rates have been affecting key drivers for Eastman and the special chemicals industry including automotive, housing, and consumer durables end markets. This is due to higher borrowing costs for financing these purchases for consumers, leading to softer demand. Higher interest rates also lead to increased costs of capital, which may dilute margins and limit its project and investment expansions. The Henry Fund forecasts the rate to remain between 4.00-4.25%, reflecting our cautious outlook on the economic state.

Figure #29: Fed Funds Rate



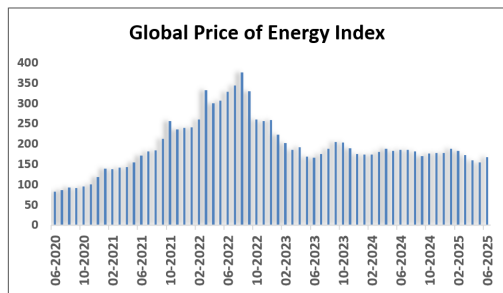
Source: St Louis FRED

With Eastman and many other chemical companies having meaningful exposure globally, foreign exchange rates can affect margins as well. The U.S. dollar has remained strong against major global currencies due to higher rates and relative economic resilience. A stronger U.S. dollar makes products more costly for its international customers, which may reduce sales volumes and margins. This is a trend that may add pressure to these customers, ultimately Eastman. To hedge against exchange rates, Eastman uses derivative instruments, as a portion of the company's cash flows and borrowings are subject in foreign currencies.¹ The Henry Fund projects a relatively strong U.S. dollar for the euro of \$1.17 for the rest of 2025.

Energy Prices

Energy prices are one of the most significant drivers for the special chemicals industry, particularly for Eastman, as the company's raw material and energy costs make up approximately 45% of its total operations in 2024.¹ As energy costs have been volatile within the

Figure #30: Global Energy Index



Source: St Louis FRED

past years, they have remained relatively stable so far within 2025, highlighted in Figure #30.¹²

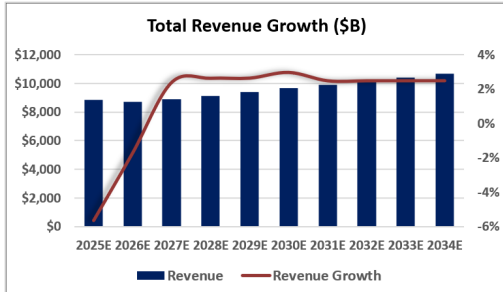
Specialty chemical companies like Eastman are very sensitive to disruptions and shifts in energy and feedstock markets. Cost volatility is influenced by geopolitical tensions, infrastructure outages, regulatory changes, and broader supply-demand dynamics across natural gas, NGLs, and petroleum-derived feedstocks²¹

Given that energy and feedstock costs represent a significant portion of Eastman’s cost structure, any sustained increase in these inputs could elevate production costs and pressure margins, especially in its more commodity exposed segments. Therefore we believe with recent federal policy adjustments to clean-energy incentives - combined with ongoing geopolitical risks, introduce the likelihood for greater volatility in natural gas, electricity, and feedstock markets later in 2025 and into 2026.

Valuation

Revenue Assumptions

Figure #31: Revenue Chart

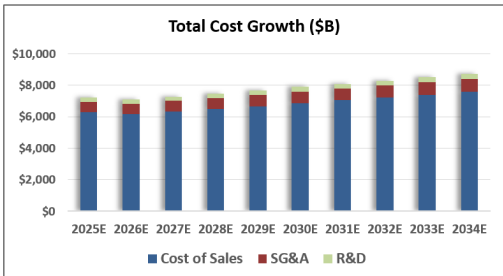


Source: Henry Fund Model

We forecast Advanced Materials to decline in 2025-2026 due to weak automotive demand and ongoing customer destocking, with gradual recovery average 2% long-term. Additives & Functional Products are projected to grow slightly, while being constrained by uprisng energy and feedstock costs, then settling at 2-3% growth as inventory normalizes. As Chemical Intermediates and Fibers remain exposed to commodity volatility, we believe there will be slight decline in growth, followed by slower growth recovery over the long-term horizon. Our total forecasts are shown in Figure #31.

Cost Assumptions

Figure #32: Cost Chart



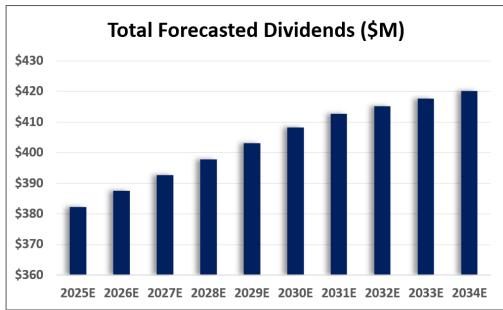
Source: Henry Fund Model

Eastman’s cost structure is primarily driven by raw material and energy costs, which make its cost of goods sold, followed by SG&A and R&D expenses. For our forecasts, COGS is modeled at 71% of revenue, reflecting historical trends and the absence of major operational shifts. SG&A is projected as an average percentage of revenues, while R&D grows at 3% annually, supporting ongoing innovative initiatives. These assumptions result in forecasted gross margins of 29%, operating margins averaging 12%, and net profit margins of 8%, slightly below historical levels due to continued margin pressures from raw material volatility, operational inefficiencies, and limited pricing power in cyclical commodity markets. Our forecasts for our cost growth are represented in Figure #32.

Share Repurchases

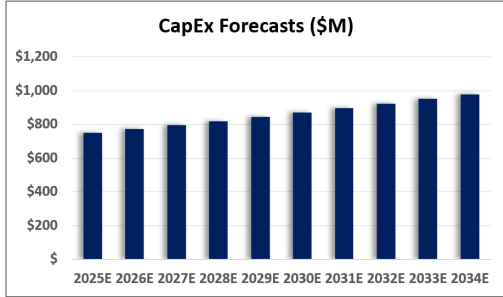
Figure #33: Dividend Payouts

From Eastman’s Q2 earnings report, management has disclosed that a total of \$145M in both share repurchases and dividends. However, they did not disclose specific amounts for each, nor gave the total amount that is expected for the total year. Management is



Source: Henry Fund Model

Figure #34: CapEx Chart



Source: Henry Fund Model

expected to disclose the full amounts in January 2026.¹ Given these factors, we have forecasted repurchases using the difference between years 2024 and 2023. For our total dividend payouts, we used a growth rate of 10% prior to each year’s dividends per share, consistent with historical progressions and the company’s commitment to meeting shareholder expectations for consistent returns, highlighted in Figure #33.

CapEx Assumptions

Our capital expenditure assumptions were made from Eastman’s most recent quarterly earnings. The company estimated capital expenditures will be between \$700-\$800M for 2025, however future amounts beyond were not touched upon.¹ Therefore, we estimated the total amount will be around \$750M, within the reported range by management. Highlighted in Figure #33, we added a continued growth rate of 3% YoY in our forecasted years, representing their continued funding for future infrastructure projects in molecular recycling and for the cost of inflation.

WACC Calculation

Our calculated weighted average cost of capital (WACC) for Eastman is 7.37%. We have made the following assumptions in our calculation:

Risk-Free Rate: We used the 10-Year Treasury bond yield as of 9/14/2025.

Beta: We obtained a beta of 1.04 using the 2 year weekly raw beta from the Bloomberg Terminal.

Equity Risk Premium: We used the Henry Fund consensus estimate of 5.00%

Pre-Cost of Debt: We obtained 5.70% from the yield to maturity for an EMN 10-year corporate bond from the Bloomberg Terminal.

DCF/EP

The Henry Fund DCF and Economic Profit resulted in an implied share price of \$60.76. We believe this shows an accurate measure of the product line/industry specific variables that are going to affect the company’s profitability and activity going forwards for future years. This valuation approach adjusts for non-operating adjustments including excess cash, debt, employee stock options, operating leases, and non-controlling interest. Before these adjustments, all expected future cash flows are discounted by the WACC, setting to present value, thus drawing a consensus of the company’s future potential.

Dividend Discount Model (DDM)

The DDM per-share value of equity is based on the present value of expected future dividends per share. This is achieved by applying the cost of equity as the discount rate and using the

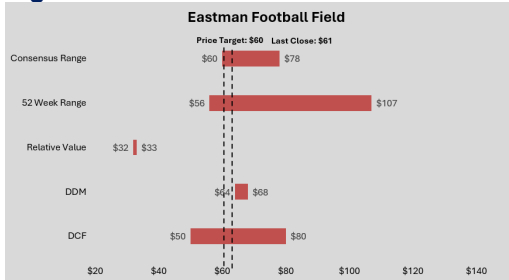
continuing values of both the P/E and EPS in the terminal year. Our target price came out at approximately \$62, which is consistent with our DCF value of \$61. Given Eastman has a consistent dividend payout policy, but still relatively modest, we have chosen to primarily rely on DCF as our main target valuation, using the DDM as a supporting check.

Relative Multiple

For our relative valuation, we performed an analysis using our selection of select peers based on similarity in market cap and scale, as well as having similar product lines. For each peer, we collected 2025E and 2026E revenue and EBITDA estimates to calculate forward Price-to-Sales (P/S) and EV/EBITDA multiples.

The peer group trades at an average 0.43x P/S (2025E) and 12.0x EV/EBITDA (2025E), which imply a valuation range of \$32-\$34 per share based on sales (shown in Figure #36) and \$131 based on EBITDA. This spread reflects Eastman's higher P/S multiple of 0.78x but lower EBITDA margin of 7.16x. Because these two multiples are widely conflicted in price ranges, we decided to use relative valuation as a reference point rather than the primary determinant in our evaluation of our target price.

Figure #36: Eastman Football Field



Source: Henry Fund Model

Figure #37: Henry Fund vs. The Street

Estimates			
	Rev	2025e EPS	EBITDA
HF	8,955	6.88	1,661
Street	9,024	5.87	1,523
% Diff.	0.77%	17.21%	9.06%

Estimates			
	Rev	2026e EPS	EBITDA
HF	8,803	6.46	1,621
Street	8,902	6.96	1,671
% Diff.	1.12%	7.75%	3.08%

Estimates			
	Rev	2027e EPS	EBITDA
HF	9,103	6.78	1,658
Street	9,190	8.01	1,810
% Diff.	0.96%	18.14%	9.17%

Henry Fund vs. The Street

As we see from Figure #37, our estimates differ from the Street primarily due to our outlook in the timing and sustainability of Eastman's business and margin recovery. For 2025, our EBITDA forecast is slightly above consensus (+9%), driven by cost-cutting actions the Street may have not fully incorporated at the time of our analysis. However, our revenue consensus for all years reflects our outlook on delayed recovery in key demands in key markets (automotive, construction, and consumer durables).

Beginning in 2026, our forecasts fall below consensus due to slower volume normalization, continued destocking in key end markets. We also expect Eastman's broad product portfolio to limit operational efficiency, as we believe this will slow the company down to improve margins. Therefore, this is reflected in our 2026-2027 EBITDA estimates comprising below consensus (-3% and -9%). Although our 2025 EPS was higher above estimates, we believe this trend will normalize downwards, reflecting operational efficiencies and rising cost assumptions of energy sources.

Overall, our forward outlook reflects a weaker recovery than consensus, characterized by revenue growth, weakened key-end markets, and operational constraints. Together, these factors support our SELL thesis.

References

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3. [S&P Global](#)

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 12. [St. Louis FRED](#)
 13. [Elchemy](#)
 14. [SCI](#)
 15. [Smart Electric Power Alliance](#)
 16. [American Chemistry Council](#)
 17. [Statista](#)
 18. [Columbia SIPA](#)
 19. [Factset](#)
 20. [Conference Board](#)
 21. [Montel](#)
 22. [Energy Innovation](#)

Eastman Chemical Company

Income Statement

<i>Fiscal Years Ending Dec. 31</i>	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue	10,151	9,273	8,473	10,476	10,580	9,210	9,382	8,955	8,803	9,013	9,251	9,495	9,778	10,021	10,270	10,526	10,788
Cost of sales (Excluding D&A)	7,071	6,429	5,924	7,438	7,966	6,651	6,583	6,366	6,257	6,407	6,576	6,749	6,950	7,123	7,300	7,482	7,669
Gross Profit	3,080	2,844	2,549	3,038	2,614	2,559	2,799	2,590	2,545	2,606	2,675	2,746	2,827	2,898	2,970	3,044	3,120
Depreciation & Amortization	601	610	574	538	477	498	509	522	544	561	581	600	624	648	672	697	722
Depreciation	437	450	446	430	390	412	427	442	467	491	515	539	563	587	611	636	661
Amortization	164	160	128	108	87	86	82	80	77	70	66	61	61	61	61	61	61
Selling, general and administrative expenses	721	691	654	795	726	727	736	671	660	676	693	712	733	751	770	789	809
Research and development expenses	235	234	226	254	264	239	250	258	265	273	281	290	299	307	317	326	336
Asset impairments and restructuring charges / gains, net	45	126	227	47	52	37	51	-	-	-	-	-	-	-	-	-	-
Other components of post-employment / benefit cost, net	(21)	60	119	(412)	(101)	41	72	-	-	-	-	-	-	-	-	-	-
Other (income) charges, net	(53)	3	8	(17)	(6)	38	47	-	-	-	-	-	-	-	-	-	-
Loss on divested business	-	-	-	552	43	(323)	-	-	-	-	-	-	-	-	-	-	-
Earnings / loss before interest and taxes	1,552	1,120	741	1,281	1,159	1,302	1,278	1,138	1,077	1,097	1,120	1,144	1,172	1,191	1,211	1,232	1,254
Net interest expense	235	218	210	198	182	215	200	194	204	194	208	211	213	218	223	227	241
Early debt extinguishment costs	7	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Earnings / loss before income taxes	1,310	902	530	1,082	977	1,087	1,078	944	873	903	912	933	959	973	988	1,005	1,013
Provision / benefit for income taxes	226	140	41	215	181	191	170	153	141	146	147	151	155	157	160	163	164
Earnings / loss from continuing operations	1,084	762	489	867	796	896	908	791	732	757	764	783	804	816	829	843	849
Net earnings attributable to noncontrolling interest	4	3	11	10	3	2	3	6	5	6	6	6	6	6	6	6	6
Net earnings / loss attributable to Eastman	1,080	759	478	857	793	894	905	786	727	752	759	777	798	810	823	837	843
Total Shares Outstanding	139.73	135.94	135.81	128.92	118.75	117.29	115.12	113.40	111.76	110.22	108.76	107.37	105.88	104.02	102.22	100.50	98.84
Weighted Average Shares Outstanding	141.20	137.40	135.50	134.90	123.50	118.60	116.70	114.26	112.58	110.99	109.49	108.07	106.63	104.95	103.12	101.36	99.67
Basic EPS	7.65	5.52	3.53	6.35	6.42	7.54	7.75	6.88	6.45	6.77	6.93	7.19	7.49	7.72	7.98	8.25	8.46
Dividends Per Share	2.30	2.52	2.67	2.83	3.07	3.18	3.26	3.32	3.42	3.52	3.62	3.72	3.82	3.92	4.02	4.12	4.22

Eastman Chemical Company
Balance Sheet

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Assets																	
Current assets																	
Cash and cash equivalents	226	204	564	459	493	548	837	624	324	726	819	958	1,024	1,057	1,076	1,366	1,216
Trade receivables, net of allowance for doubtful accounts	1,154	980	1,033	1,091	957	826	791	908	893	914	938	963	992	1,016	1,042	1,067	1,094
Miscellaneous receivables	329	395	482	489	320	328	381	365	358	367	377	387	398	408	418	429	439
Inventories	1,583	1,662	1,379	1,504	1,894	1,683	1,988	1,898	1,865	1,803	1,758	1,648	1,697	1,740	1,783	1,827	1,873
Other current assets	73	80	83	96	114	96	104	86	84	86	89	91	94	96	98	101	103
Current assets held for sale	-	-	-	1,007	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-current Assets																	
Properties and equipment at cost	12,731	13,081	13,531	12,680	12,942	13,574	13,985	14,735	15,508	16,303	17,123	17,967	18,836	19,732	20,654	21,604	22,583
Less: Accumulated Depreciation	7,131	7,510	7,982	7,684	7,782	8,026	8,370	8,812	9,279	9,770	10,285	10,824	11,386	11,973	12,585	13,221	13,881
Net properties	5,600	5,571	5,549	4,996	5,160	5,548	5,615	5,923	6,228	6,533	6,838	7,143	7,450	7,758	8,070	8,384	8,702
Goodwill	4,467	4,431	4,465	3,641	3,664	3,646	3,632	3,632	3,632	3,632	3,632	3,632	3,632	3,632	3,632	3,632	3,632
Intangible assets, net	2,185	2,011	1,792	1,362	1,210	1,138	1,032	952	875	805	739	678	617	556	495	434	373
Other noncurrent assets	378	674	736	874	855	820	833	850	867	884	902	920	938	957	976	996	1,015
Total assets	15,995	16,008	16,083	15,519	14,667	14,633	15,213	15,237	15,127	15,750	16,091	16,420	16,842	17,220	17,589	18,236	18,448
Liabilities																	
Current Liabilities																	
Payables and other current liabilities	1,608	1,618	1,689	2,224	2,125	2,035	2,258	1,800	1,769	1,812	1,859	1,909	1,965	2,014	2,064	2,116	2,168
Liabilities held for sale	-	-	-	91	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings due within one year	243	171	349	747	1,126	541	450	518	196	496	495	482	497	509	496	743	548
Long-Term Liabilities																	
Long-term borrowings	5,925	5,611	5,269	4,412	4,025	4,305	4,567	4,740	4,801	4,873	4,954	5,015	5,131	5,243	5,356	5,472	5,589
Deferred income tax liabilities	884	915	848	810	671	601	533	493	451	411	368	324	280	235	189	142	92
Post-employment obligations	925	1,016	1,143	811	628	667	630	567	510	459	413	372	335	301	271	244	220
Other long-term liabilities	532	645	677	727	856	954	923	951	979	1,009	1,039	1,070	1,102	1,135	1,169	1,204	1,240
Total liabilities	10,117	9,976	9,975	9,731	9,431	9,103	9,361	9,068	8,707	9,060	9,128	9,172	9,309	9,437	9,546	9,921	9,858
Stockholder's Equity																	
Common stock	2,050	2,107	2,176	2,189	2,317	2,370	2,465	2,522	2,579	2,636	2,693	2,750	2,791	2,791	2,791	2,791	2,791
Retained earnings	7,573	7,965	8,080	8,557	8,973	9,490	10,013	10,417	10,755	11,114	11,473	11,846	12,234	12,629	13,033	13,448	13,867
Accumulated other comprehensive income loss	(245)	(214)	(273)	(182)	(205)	(319)	(314)	(314)	(314)	(314)	(314)	(314)	(314)	(314)	(314)	(314)	(314)
Total stockholders' equity before treasury stock at cost	9,378	9,858	9,983	10,564	11,085	11,541	12,164	12,625	13,021	13,436	13,853	14,282	14,710	15,105	15,510	15,925	16,344
Treasury stock at cost	3,575	3,900	3,960	4,860	5,932	6,083	6,385	6,535	6,685	6,835	6,985	7,135	7,285	7,435	7,585	7,735	7,885
Total Eastman stockholders' equity	5,803	5,958	6,023	5,704	5,153	5,458	5,779	6,090	6,336	6,601	6,868	7,147	7,425	7,670	7,925	8,190	8,459
Noncontrolling interest	75	74	85	84	83	72	73	79	84	90	95	101	107	113	119	125	131
Total equity	5,878	6,032	6,108	5,788	5,236	5,530	5,852	6,168	6,420	6,691	6,963	7,248	7,532	7,783	8,043	8,315	8,590
Total liabilities and stockholders' equity	15,995	16,008	16,083	15,519	14,667	14,633	15,213	15,237	15,127	15,750	16,091	16,420	16,842	17,220	17,589	18,236	18,448

Eastman Chemical Company
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Operating Activities										
Net Earnings/Loss	791	732	757	764	783	804	816	829	843	849
Depreciation	442	467	491	515	539	563	587	611	636	661
Trade receivables, net of allowance for doubtful accounts	(117)	15	(21)	(24)	(25)	(29)	(25)	(25)	(26)	(27)
Miscellaneous receivables	16	6	(9)	(10)	(10)	(12)	(10)	(10)	(10)	(11)
Inventories	90	32	63	45	109	(49)	(42)	(43)	(44)	(46)
Other current assets	18	1	(2)	(2)	(2)	(3)	(2)	(2)	(2)	(3)
Payables and other current liabilities	(458)	(31)	42	48	49	57	49	50	51	53
Deferred income tax liabilities	(40)	(42)	(40)	(43)	(44)	(44)	(45)	(46)	(47)	(50)
Other long-term liabilities	28	29	29	30	31	32	33	34	35	36
CF from operating activities	771	1,210	1,310	1,323	1,430	1,320	1,361	1,397	1,435	1,463
Investing Activities										
Capital Expenditures	(750)	(773)	(796)	(820)	(844)	(869)	(896)	(922)	(950)	(979)
Intangible assets	80	77	70	66	61	61	61	61	61	61
Other noncurrent assets	(17)	(17)	(17)	(18)	(18)	(18)	(19)	(19)	(20)	(20)
Current Assets held for sale	-	-	-	-	-	-	-	-	-	-
CF from investing activities	(687)	(712)	(743)	(771)	(801)	(827)	(853)	(881)	(909)	(937)
Financing Activities										
Borrowing due within one year	68	(322)	300	(1)	(13)	14	12	(13)	247	(195)
Long-term borrowings	173	62	72	80	62	115	112	114	115	117
Post-employment obligations	(63)	(57)	(51)	(46)	(41)	(37)	(33)	(30)	(27)	(24)
Common stock	57	57	57	57	57	40	-	-	-	-
Treasury stock at cost	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)
Dividends paid	(382)	(388)	(393)	(399)	(405)	(410)	(415)	(418)	(421)	(424)
CF from financing activities	(297)	(798)	(166)	(459)	(490)	(427)	(474)	(498)	(236)	(676)
Net Cash	(213)	(300)	402	93	139	66	33	19	291	(150)
Beginning Cash	837	624	324	726	819	958	1,024	1,057	1,076	1,366
Ending Cash	624	324	726	819	958	1,024	1,057	1,076	1,366	1,216

Eastman Chemical Company
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023	2024
Operating Activities							
Net earnings / loss	1,084	762	489	867	796	896	908
Depreciation and amortization	604	611	574	538	477	498	509
Mark-to-market pension and other postretirement benefit	99	143	240	(267)	19	53	(54)
Asset impairment charges	39	72	146	16	-	-	5
Early debt extinguishment costs	7	-	1	1	-	-	-
Loss on sale of assets	-	-	-	-	15	(15)	-
Gains / loss on sale of assets and business	(4)	-	-	552	43	(323)	-
Gain from property insurance	(65)	-	-	-	-	-	-
Provision / benefit for deferred income taxes	(51)	23	(111)	(38)	(136)	(102)	(52)
Increase / decrease in trade receivables	16	170	(31)	(281)	93	126	28
Increase / decrease in inventories	(224)	(80)	291	(389)	(430)	201	(344)
Increase / decrease in trade payables	90	(27)	(100)	554	60	(190)	188
Pension and other postretirement contributions	(152)	(119)	(136)	(185)	(149)	(66)	(51)
Variable compensation in excess of / less than expenses	55	38	87	162	(103)	142	99
Other items, net	45	(89)	5	89	290	154	51
Net cash provided by / used in operating activities	1,543	1,504	1,455	1,619	975	1,374	1,287
Investing Activities							
Additions to properties and equipment	(528)	(425)	(383)	(555)	(611)	(828)	(599)
Proceeds from property insurance	65	-	-	-	-	-	-
Government incentives	-	-	-	-	-	-	9
Proceeds from sale of assets and investments	5	-	-	667	998	456	38
Acquisitions, net of cash acquired	(3)	(48)	(1)	(114)	(1)	(77)	-
Other items, net	(2)	(7)	(10)	(27)	6	17	18
Additions to capitalized software	-	(6)	(13)	(23)	-	-	-
Net cash used in / provided by investing activities	(463)	(480)	(394)	(29)	392	(432)	(534)
Finance Activities							
Net increase / decrease in commercial paper borrowings	(146)	(70)	(121)	(50)	326	(326)	-
Proceeds from borrowings	1,604	460	249	-	500	796	1,237
Repayment of borrowings	(1,774)	(760)	(435)	(300)	(750)	(808)	(1,039)
Dividends paid to stockholders	(318)	(343)	(358)	(375)	(381)	(376)	(379)
Treasury stock purchases	(400)	(325)	(60)	(1,000)	(1,002)	(150)	(300)
Proceeds from stock option exercises and other items, net	(6)	(5)	21	35	(14)	(24)	27
Net cash used in / provided by financing activities	(1,040)	(1,043)	(704)	(1,690)	(1,321)	(888)	(454)
Effect of exchange rate on cash, cash equivalents	(5)	(3)	3	(5)	(12)	1	(10)
Net change in cash and cash equivalents	35	(22)	360	(105)	34	55	289
Cash and cash equivalents at beginning of period	191	226	204	564	459	493	548
Cash and cash equivalents at end of period	226	204	564	459	493	548	837

Eastman Chemical Company
Common Size Income Statement

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales (Excluding D&A)	69.66%	69.33%	69.92%	71.00%	75.29%	72.21%	70.17%	71.08%	71.08%	71.08%	71.08%	71.08%	71.08%	71.08%	71.08%	71.08%	71.08%
Gross Profit	30.34%	30.67%	30.08%	29.00%	24.71%	27.79%	29.83%	28.92%	28.92%	28.92%	28.92%	28.92%	28.92%	28.92%	28.92%	28.92%	28.92%
Depreciation & Amortization	5.92%	6.58%	6.77%	5.14%	4.51%	5.41%	5.43%	5.83%	6.18%	6.22%	6.28%	6.32%	6.38%	6.47%	6.55%	6.62%	6.69%
Depreciation	4.30%	4.85%	5.26%	4.10%	3.69%	4.47%	4.55%	4.94%	5.30%	5.45%	5.56%	5.67%	5.76%	5.86%	5.95%	6.04%	6.12%
Amortization	1.62%	1.73%	1.51%	1.03%	0.82%	0.93%	0.87%	0.89%	0.87%	0.78%	0.71%	0.64%	0.62%	0.61%	0.59%	0.58%	0.57%
Selling, general and administrative expenses	7.10%	7.45%	7.72%	7.59%	6.86%	7.89%	7.84%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%	7.49%
Research and development expenses	2.32%	2.52%	2.67%	2.42%	2.50%	2.60%	2.66%	2.88%	3.01%	3.03%	3.04%	3.05%	3.05%	3.07%	3.08%	3.10%	3.11%
Asset impairments and restructuring charges / gains, net	0.44%	1.36%	2.68%	0.45%	0.49%	0.40%	0.54%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other components of post-employment / benefit cost, net	-0.21%	0.65%	1.40%	-3.93%	-0.95%	0.45%	0.77%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other (income) charges, net	-0.52%	0.03%	0.09%	-0.16%	-0.06%	0.41%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loss on divested business	0.00%	0.00%	0.00%	5.27%	0.41%	-3.51%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Earnings / loss before interest and taxes	15.29%	12.08%	8.75%	12.23%	10.95%	14.14%	13.62%	12.71%	12.23%	12.17%	12.10%	12.05%	11.99%	11.89%	11.79%	11.70%	11.62%
Net interest expense	2.32%	2.35%	2.48%	1.89%	1.72%	2.33%	2.13%	2.17%	2.31%	2.15%	2.25%	2.22%	2.18%	2.18%	2.17%	2.15%	2.23%
Early debt extinguishment costs	0.07%	0.00%	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Earnings / loss before income taxes	12.91%	9.73%	6.26%	10.33%	9.23%	11.80%	11.49%	10.54%	9.92%	10.02%	9.85%	9.83%	9.81%	9.71%	9.62%	9.55%	9.39%
Provision / benefit for income taxes	2.23%	1.51%	0.48%	2.05%	1.71%	2.07%	1.81%	1.70%	1.60%	1.62%	1.59%	1.59%	1.59%	1.57%	1.56%	1.54%	1.52%
Earnings / loss from continuing operations	10.68%	8.22%	5.77%	8.28%	7.52%	9.73%	9.68%	8.84%	8.32%	8.40%	8.26%	8.24%	8.22%	8.14%	8.07%	8.01%	7.87%
Net earnings attributable to noncontrolling interest	0.04%	0.03%	0.13%	0.10%	0.03%	0.02%	0.03%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%
Net earnings / loss attributable to Eastman	10.64%	8.19%	5.64%	8.18%	7.50%	9.71%	9.65%	8.77%	8.26%	8.34%	8.20%	8.18%	8.16%	8.08%	8.01%	7.95%	7.81%

Eastman Chemical Company
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Assets																	
Current assets																	
Cash and cash equivalents	2.23%	2.20%	6.66%	4.38%	4.66%	5.95%	8.92%	6.97%	3.68%	8.05%	8.85%	10.09%	10.47%	10.55%	10.47%	12.98%	11.27%
Trade receivables, net of allowance for doubtful accounts	11.37%	10.57%	12.19%	10.41%	9.05%	8.97%	8.43%	10.14%	10.14%	10.14%	10.14%	10.14%	10.14%	10.14%	10.14%	10.14%	10.14%
Miscellaneous receivables	3.24%	4.26%	5.69%	4.67%	3.02%	3.56%	4.06%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%
Inventories	15.59%	17.92%	16.28%	14.36%	17.90%	18.27%	21.19%	21.19%	21.19%	20.00%	19.00%	17.36%	17.36%	17.36%	17.36%	17.36%	17.36%
Other current assets	0.72%	0.86%	0.98%	0.92%	1.08%	1.04%	1.11%	0.96%	0.96%	0.96%	0.96%	0.96%	0.96%	0.96%	0.96%	0.96%	0.96%
Current assets held for sale	0.00%	0.00%	0.00%	9.61%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Non-current Assets																	
Net properties	55.17%	60.08%	65.49%	47.69%	48.77%	60.24%	59.85%	66.14%	70.76%	72.49%	73.92%	75.23%	76.19%	77.42%	78.57%	79.65%	80.66%
Goodwill	44.01%	47.78%	52.70%	34.76%	34.63%	39.59%	38.71%	40.56%	41.26%	40.30%	39.26%	38.25%	37.15%	36.24%	35.36%	34.50%	33.67%
Intangible assets, net	21.52%	21.69%	21.15%	13.00%	11.44%	12.36%	11.00%	10.63%	9.94%	8.93%	7.99%	7.14%	6.31%	5.55%	4.82%	4.12%	3.46%
Other noncurrent assets	3.72%	7.27%	8.69%	8.34%	8.08%	8.90%	8.88%	9.49%	9.85%	9.81%	9.75%	9.69%	9.59%	9.55%	9.50%	9.46%	9.41%
Total assets	157.57%	172.63%	189.81%	148.14%	138.63%	158.88%	162.15%	170.14%	171.84%	174.74%	173.94%	172.93%	172.25%	171.84%	171.26%	173.24%	171.00%
Liabilities																	
Current Liabilities																	
Payables and other current liabilities	15.84%	17.45%	19.93%	21.23%	20.09%	22.10%	24.07%	20.10%	20.10%	20.10%	20.10%	20.10%	20.10%	20.10%	20.10%	20.10%	20.10%
Liabilities held for sale	0.00%	0.00%	0.00%	0.87%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Borrowings due within one year	2.39%	1.84%	4.12%	7.13%	10.64%	5.87%	4.80%	5.78%	2.23%	5.50%	5.35%	5.08%	5.08%	5.08%	4.83%	7.06%	5.08%
Long-Term Liabilities																	
Long-term borrowings	58.37%	60.51%	62.19%	42.12%	38.04%	46.74%	48.68%	52.93%	54.55%	54.07%	53.55%	52.82%	52.47%	52.32%	52.15%	51.98%	51.81%
Deferred income tax liabilities	8.71%	9.87%	10.01%	7.73%	6.34%	6.53%	5.68%	5.50%	5.12%	4.56%	3.97%	3.41%	2.86%	2.34%	1.84%	1.35%	0.85%
Post-employment obligations	9.11%	10.96%	13.49%	7.74%	5.94%	7.24%	6.71%	6.33%	5.80%	5.10%	4.47%	3.92%	3.42%	3.01%	2.64%	2.32%	2.04%
Other long-term liabilities	5.24%	6.96%	7.99%	6.94%	8.09%	10.36%	9.84%	10.62%	11.12%	11.19%	11.23%	11.27%	11.27%	11.33%	11.38%	11.44%	11.50%
Total liabilities	99.67%	107.58%	117.73%	92.89%	89.14%	98.84%	99.78%	101.26%	98.91%	100.51%	98.67%	96.60%	95.21%	94.18%	92.95%	94.25%	91.38%
Stockholder's Equity																	
Common stock	20.20%	22.72%	25.68%	20.90%	21.90%	25.73%	26.27%	28.16%	29.30%	29.25%	29.11%	28.97%	28.54%	27.85%	27.17%	26.51%	25.87%
Retained earnings	74.60%	85.89%	95.36%	81.68%	84.81%	103.04%	106.73%	116.32%	122.18%	123.31%	124.03%	124.75%	125.12%	126.02%	126.90%	127.76%	128.54%
Accumulated other comprehensive income loss	-2.41%	-2.31%	-3.22%	-1.74%	-1.94%	-3.46%	-3.35%	-3.51%	-3.57%	-3.48%	-3.39%	-3.31%	-3.21%	-3.13%	-3.06%	-2.98%	-2.91%
Total stockholders' equity before treasury stock at cost	92.38%	106.31%	117.82%	100.84%	104.77%	125.31%	129.65%	140.98%	147.92%	149.07%	149.75%	150.41%	150.45%	150.74%	151.01%	151.29%	151.49%
Treasury stock at cost	35.22%	42.06%	46.74%	46.39%	56.07%	66.05%	68.06%	72.98%	75.94%	75.83%	75.51%	75.14%	74.51%	74.20%	73.85%	73.48%	73.09%
Total Eastman stockholders' equity	57.17%	64.25%	71.08%	54.45%	48.71%	59.26%	61.60%	68.00%	71.97%	73.24%	74.24%	75.27%	75.94%	76.54%	77.16%	77.81%	78.41%
Noncontrolling interest	0.74%	0.80%	1.00%	0.80%	0.78%	0.78%	0.78%	0.88%	0.96%	0.99%	1.03%	1.06%	1.09%	1.12%	1.16%	1.19%	1.21%
Total equity	57.91%	65.05%	72.09%	55.25%	49.49%	60.04%	62.37%	68.88%	72.93%	74.23%	75.27%	76.33%	77.03%	77.67%	78.32%	78.99%	79.62%

Eastman Chemical Company
Value Driver Estimation

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
NOPLAT:																	
Revenue	10,151	9,273	8,473	10,476	10,580	9,210	9,382	8,955	8,803	9,013	9,251	9,495	9,778	10,021	10,270	10,526	10,788
Less: Cost of goods sold	7,071	6,429	5,924	7,438	7,966	6,651	6,583	6,366	6,257	6,407	6,576	6,749	6,950	7,123	7,300	7,482	7,669
Less: Depreciation and Amortization	601	610	574	538	477	498	509	522	544	561	581	600	624	648	672	697	722
Less: Selling, general and admin expenses	721	691	654	795	726	727	736	671	660	676	693	712	733	751	770	789	809
Less: Research and development expenses	235	234	226	254	264	239	250	258	265	273	281	290	299	307	317	326	336
Add: Implied interest on operating leases		11.9	10.6	9.4	10.6	10.7	9.1	9.6	10.1	10.6	11.1	11.6	12.1	12.6	13.1	13.6	14.1
EBITA	1,523	1,321	1,106	1,460	1,158	1,106	1,313	1,148	1,087	1,107	1,131	1,156	1,184	1,204	1,224	1,246	1,268
Adjusted Taxes																	
Marginal Tax Rate	17.5%	17.5%	12.1%	18.0%	16.6%	11.4%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%
Provision for Income Tax	226	140	41	215	181	191	170	153	141	146	147	151	155	157	160	163	164
Add: Implied Interest on Operating Lease		2.1	1.3	1.7	1.8	1.2	1.5	1.6	1.6	1.7	1.8	1.9	2.0	2.0	2.1	2.2	2.3
Add: Asset impairments and restructuring charges	7.9	22.0	27.5	8.5	8.6	4.2	8.2	-	-	-	-	-	-	-	-	-	-
Add: Other components of post-employment	(3.7)	10.5	14.4	(74.3)	(16.7)	4.7	11.6	-	-	-	-	-	-	-	-	-	-
Add: Other (income) charges	(9.3)	0.5	1.0	(3.1)	(1.0)	4.3	7.6	-	-	-	-	-	-	-	-	-	-
Add: Loss on divested business	-	-	-	99.6	7.1	(36.8)	-	-	-	-	-	-	-	-	-	-	-
Add: Net interest expense	41.1	38.0	25.5	35.7	30.1	24.5	32.3	31.4	32.9	31.3	33.6	34.1	34.4	35.2	36.0	36.7	38.9
Add: Early debt extinguishment costs	1.2	-	0.1	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Taxes	263	213	111	283	211	193	231	186	176	179	183	187	192	195	198	201	205
Deferred Tax Asset	893	898	1,025	977	1,215	1,587	1,103	1,103	1,103	1,103	1,103	1,103	1,103	1,103	1,103	1,103	1,103
Deferred Tax Liability	1,734	1,747	1,761	1,671	1,763	2,032	1,527	1,527	1,527	1,527	1,527	1,527	1,527	1,527	1,527	1,527	1,527
Net Deferred Tax Liability	841	849	736	694	548	445	424	424	424	424	424	424	424	424	424	424	424
Change in Deferred Taxes		8	(113)	(42)	(146)	(103)	(21)	-	-	-	-	-	-	-	-	-	-
NOPLAT		1,116	882	1,135	801	810	1,061	962	911	928	948	969	993	1,009	1,026	1,044	1,063
Invested Capital (IC):																	
Normal Cash	223	204	186	230	233	203	206	197	194	198	204	209	215	220	226	232	237
Plus: Trade receivables, net of allowance for doubtful accounts	1,154	980	1,033	1,091	957	826	791	908	893	914	938	963	992	1,016	1,042	1,067	1,094
Plus: Miscellaneous receivables	329	395	482	489	320	328	381	365	358	367	377	387	398	408	418	429	439
Plus: Inventories	1,583	1,662	1,379	1,504	1,894	1,683	1,988	1,898	1,865	1,803	1,758	1,648	1,697	1,740	1,783	1,827	1,873
Plus: Other current assets	73	80	83	96	114	96	104	86	84	86	89	91	94	96	98	101	103
Less: Payables and other current liabilities	1,608	1,618	1,689	2,224	2,125	2,035	2,258	1,800	1,769	1,812	1,859	1,909	1,965	2,014	2,064	2,116	2,168
Net Working Capital	1,754	1,703	1,474	1,186	1,393	1,101	1,212	1,653	1,625	1,557	1,505	1,389	1,430	1,466	1,503	1,540	1,578
Add: Net PPE	5,600	5,571	5,549	4,996	5,160	5,548	5,615	5,923	6,228	6,533	6,838	7,143	7,450	7,758	8,070	8,384	8,702
Add: Intangible assets, net	2,185	2,011	1,792	1,362	1,210	1,138	1,032	952	875	805	739	678	617	556	495	434	373
Add: Other noncurrent assets	378	674	736	874	855	820	833	850	867	884	902	920	938	957	976	996	1,015
Invested Capital	9,917	9,959	9,551	8,418	8,618	8,607	8,692	9,377	9,595	9,779	9,984	10,130	10,436	10,737	11,043	11,353	11,669
Free Cash Flow (FCF):																	
NOPLAT		1,116	882	1,135	801	810	1,061	962	911	928	948	969	993	1,009	1,026	1,044	1,063
Change in IC		42	(408)	(1,133)	199	(11)	86	685	218	184	205	146	305	302	306	310	315
FCF		1,074	1,289	2,268	601	821	975	277	694	745	743	823	688	707	721	734	747
Return on Invested Capital (ROIC):																	
NOPLAT		1,116	882	1,135	801	810	1,061	962	911	928	948	969	993	1,009	1,026	1,044	1,063
Beginning IC		9,917	9,959	9,551	8,418	8,618	8,607	8,692	9,377	9,595	9,779	9,984	10,130	10,436	10,737	11,043	11,353
ROIC		11.3%	8.9%	11.9%	9.5%	9.4%	12.3%	11.1%	9.7%	9.7%	9.7%	9.7%	9.8%	9.7%	9.6%	9.5%	9.4%
Economic Profit (EP):																	
Beginning IC		9,917	9,959	9,551	8,418	8,618	8,607	8,692	9,377	9,595	9,779	9,984	10,130	10,436	10,737	11,043	11,353
x (ROIC - WACC)	-7.38%	3.87%	1.47%	4.50%	2.13%	2.01%	4.94%	3.69%	2.34%	2.29%	2.31%	2.33%	2.42%	2.29%	2.18%	2.07%	1.98%
EP	-	384	147	430	179	173	425	321	219	220	226	232	245	239	234	229	225

Eastman Chemical Company

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.00%
Beta	1.04
Equity Risk Premium	5.00%
Cost of Equity	9.22%

ASSUMPTIONS:

10 Year Treasury Yield as of 9/14/2025

2 Year Weekly Beta

Henry Fund Consensus

Cost of Debt:

Risk-Free Rate	4.00%
Implied Default Premium	1.70%
Pre-Tax Cost of Debt	5.70%
Marginal Tax Rate	16%
After-Tax Cost of Debt	4.78%

YTM on company's 10 year corporate bond

Market Value of Common Equity:

Total Shares Outstanding	115.12
Current Stock Price	\$63.56
MV of Equity	7,317.03

MV Weights

58.68%

Market Value of Debt:

ST Debt & Current Portion of LTD	450
Current Portion of LTD	4,567
PV of Operating Leases	136
MV of Total Debt	5,152.67

41.32%

Market Value of the Firm

12,469.70

100.00%

Estimated WACC

7.38%

Eastman Chemical Company

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	9.10%
WACC	7.38%
Cost of Equity	9.22%

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
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DCF Model:

Free Cash Flow (FCF)	258.5	666.3	714.0	713.4	794.2	660.4	680.8	693.1	705.4	717.8
Continuing Value (CV)										15348.5
PV of FCF	240.7	577.8	576.6	536.6	556.3	430.7	413.5	392.0	371.6	8085.3

Value of Operating Assets:	12181.2
Non-Operating Adjustments	
Add: Excess Cash	630.6
Less: NCI	-73.0
Less: ST Debt	-450.0
Less: LT Debt	-4567.0
Less: PV of operating leases	-135.7
Less: Post-employment obligations	-630.0
Less: ESOP	-53.1
Value of Equity	6903.0
Shares Outstanding	115.1
Intrinsic Value of Last FYE	\$ 59.96
Implied Price as of Today	\$ 60.35

EP Model:

Economic Profit (EP)	294.5	190.5	192.5	199.0	206.0	219.8	212.4	206.2	200.5	195.1
Continuing Value (CV)										3996.4
PV of EP	274.2	165.2	155.5	149.7	144.3	143.3	129.0	116.6	105.6	2105.2

Total PV of EP	3488.8
Invested Capital (last FYE)	8692.4
Value of Operating Assets:	12181.2
Non-Operating Adjustments	
Add: Excess Cash	630.6
Less: NCI	-73.0
Less: ST Debt	-450.0
Less: LT Debt	-4567.0
Less: PV of operating leases	-135.7
Less: Post-employment obligations	-630.0
Less: ESOP	-53.1
Value of Equity	6903.0
Shares Outstanding	115.1
Intrinsic Value of Last FYE	\$ 59.96
Implied Price as of Today	\$ 60.35

Eastman Chemical Company

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
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EPS	\$ 6.81	\$ 6.26	\$ 6.46	\$ 6.68	\$ 6.91	\$ 7.17	\$ 7.33	\$ 7.49	\$ 7.66	\$ 7.83
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Key Assumptions

CV growth of EPS	2.50%
CV Year ROE	9.95%
Cost of Equity	9.22%

Future Cash Flows

P/E Multiple (CV Year)												11.15
EPS (CV Year)												\$ 7.83
Future Stock Price												\$ 87.28
Dividends Per Share	\$ 3.32	\$ 3.42	\$ 3.52	\$ 3.62	\$ 3.72	\$ 3.82	\$ 3.92	\$ 4.02	\$ 4.12			
Discounted Cash Flows	\$ 3.04	\$ 2.87	\$ 2.70	\$ 2.54	\$ 2.39	\$ 2.25	\$ 2.11	\$ 1.99	\$ 1.86	\$ 39.48		

Intrinsic Value as of Last FYE \$ 61.24

Implied Price as of Today \$ 61.64

Eastman Chemical Company

Relative Valuation Models

Ticker	Company	Price	Market Cap	Sales 2025E	Sales 2026E	P/S 25	P/S 26	EV 2025E	EBITDA 2025E	EV/EBITDA 2025E
DOW	Dow Inc	\$23.28	16,793	\$40,832	\$42,212	0.41	0.40	44,314	3,161	14.02
LYB	Lyondell Basell	\$43.09	15,867	\$29,909	\$29,964	0.53	0.53	28,801	2,782	10.35
HUN	Huntsman	\$10.08	1,648	\$5,749	\$6,001	0.29	0.27	4,501	270	16.67
CE	Celanese Corporation	\$42.30	4,962	\$9,756	\$9,996	0.51	0.50	18,858	1,908	9.88
OLN	Olin Coporation	\$20.39	2,888	\$6,834	\$6,970	0.42	0.41	6,635	724	9.16
	Average					0.43	0.42			12.02
EMN	Eastman Chemical Company	\$63.56	6,987	8,955	8,803	0.78	0.79	11,882	1,660	7.16

Implied Relative Value:

P/S (Market Cap 25)	35.18
P/S (Market Cap 26)	33.83
EV/EBITDA	136.95

Eastman Chemical Company

Key Management Ratios

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Liquidity Ratios:																	
Current Ratio (Current Assets / Current Liabilities)	1.82	1.86	1.74	1.52	1.16	1.35	1.51	1.67	1.79	1.69	1.69	1.69	1.71	1.71	1.73	1.68	1.74
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.96	0.93	1.06	1.03	0.58	0.70	0.78	0.86	0.84	0.91	0.94	1.00	1.02	1.02	1.03	1.04	1.05
Cash Ratio (Cash + Cash Equivalents / Current Liabilities)	0.12	0.11	0.28	0.15	0.15	0.21	0.31	0.27	0.16	0.31	0.35	0.40	0.42	0.42	0.42	0.48	0.45
Asset-Management Ratios:																	
Inventory Turnover (COGS / Average Inventory)		2.66	2.52	3.49	3.25	2.43	2.46	2.17	2.21	2.32	2.45	2.61	2.78	2.77	2.77	2.77	2.77
Asset Turnover (Sales / Average Total Assets)		0.39	0.35	0.44	0.46	0.42	0.42	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39
Receivables Turnover (Sales / Average Accounts Receivable)		5.64	5.66	6.64	6.74	6.72	7.68	7.19	6.50	6.68	6.69	6.69	6.70	6.68	6.68	6.68	6.68
Financial Leverage Ratios:																	
Debt to Equity (Total Debt / Total Equity)	1.05	0.96	0.92	0.89	0.98	0.88	0.86	0.85	0.78	0.80	0.78	0.76	0.75	0.74	0.73	0.75	0.71
Debt to EBITDA (Total Debt / EBITDA)	2.75	3.24	4.01	2.43	2.46	2.39	2.56	2.85	2.96	2.94	2.91	2.88	2.86	2.85	2.84	2.84	2.83
Interest Coverage (EBIT / Interest Expense)	6.60	5.14	3.53	6.47	6.37	6.06	6.39	5.86	5.29	5.67	5.38	5.42	5.51	5.47	5.44	5.43	5.21
Profitability Ratios:																	
Gross Margin (Gross Profit / Revenue)	30%	31%	30%	29%	25%	28%	30%	29%	29%	29%	29%	29%	29%	29%	29%	29%	29%
Operating Margin (Operating Income EBIT / Revenue)	15%	12%	9%	12%	11%	14%	14%	13%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Net Profit Margin (Net Income / Revenue)	11%	8%	6%	8%	7%	10%	10%	9%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Payout Policy Ratios:																	
Dividend Payout Ratio (Dividends / EPS)	29.34%	45.01%	73.21%	43.25%	47.86%	41.96%	41.74%	48.29%	52.98%	51.95%	52.21%	51.70%	51.00%	50.87%	50.47%	49.98%	49.95%
Total Payout Ratio (Dividends + Share Rep / Net Income)	66.24%	87.66%	85.48%	158.59%	173.74%	58.71%	74.78%	67.24%	73.47%	71.76%	71.84%	70.87%	69.66%	69.26%	68.57%	67.78%	67.61%

Eastman Chemical Company

Present Value of Operating Lease Obligations

Fiscal Years Ending Dec. 31	2018	2019	2020	2021	2022	2023	2024
Year 1	63.0	62.0	60.0	55	58	52	49
Year 2	51.0	49.0	44.0	44	46	43	38
Year 3	40.0	38.0	31.0	31	37	32	26
Year 4	29.0	25.0	18.0	24	26	21	16
Year 5	18.0	14.0	12.0	18	17	13	8
Thereafter	47.0	30.0	28.0	53	38	26	21
Total Minimum Payments	248.0	218.0	193.0	225.0	222.0	187.0	158.0
Less: Cumulative Interest	39.7	31.8	27.7	38.4	34.6	27.4	22.3
PV of Minimum Payments	208.3	186.2	165.3	186.6	187.4	159.6	135.7
Implied Interest in Year 1 Payment	13.0	11.9	10.6	9.4	10.6	10.7	9.1
Pre-Tax Cost of Debt	5.70%	5.70%	5.70%	5.70%	5.70%	5.70%	5.70%
Years Implied by Year 6 Payment	2.6	2.1	2.3	2.9	2.2	2.0	2.6
Expected Obligation in Year 6 & Beyond	18	14	12	18	17	13	8
Present Value of Lease Payments							
PV of Year 1	59.6	58.7	56.8	52.0	54.9	49.2	46.4
PV of Year 2	45.6	43.9	39.4	39.4	41.2	38.5	34.0
PV of Year 3	33.9	32.2	26.3	26.3	31.3	27.1	22.0
PV of Year 4	23.2	20.0	14.4	19.2	20.8	16.8	12.8
PV of Year 5	13.6	10.6	9.1	13.6	12.9	9.9	6.1
PV of 6 & beyond	32.3	20.9	19.4	36.0	26.3	18.1	14.4
Capitalized PV of Payments	208.3	186.2	165.3	186.6	187.4	159.6	135.7

Eastman Chemical Company

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	3
Average Time to Maturity (years):	5.45
Expected Annual Number of Options Exercised:	0.64

Current Average Strike Price:	\$ 89.64
Cost of Equity:	9.22%
Current Stock Price:	\$63.56

Fiscal Years Ending Dec. 31	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Increase in Shares Outstanding:	1	1	1	1	1	0.45				
Average Strike Price:	\$ 89.64	\$ 89.64	\$ 89.64	\$ 89.64	\$ 89.64	\$ 89.64	\$ 89.64	\$ 89.64	\$ 89.64	\$ 89.64
Increase in Common Stock Account:	57	57	57	57	57	40	-	-	-	-
Share Repurchases (\$)	150	150	150	150	150	150	150	150	150	150
Expected Price of Repurchased Shares:	\$ 63.56	\$ 66.10	\$ 68.74	\$ 71.48	\$ 74.33	\$ 77.30	\$ 80.38	\$ 83.59	\$ 86.93	\$ 90.40
Number of Shares Repurchased:	2	2	2	2	2	2	2	2	2	2
Shares Outstanding (beginning of the year)	115	113	112	110	109	107	106	104	102	100
Plus: Shares Issued Through ESOP	0.64	0.64	0.64	0.64	0.64	0.45	0.00	0.00	0.00	0.00
Less: Shares Repurchased in Treasury	2	2	2	2	2	2	2	2	2	2
Shares Outstanding (end of the year)	113	112	110	109	107	106	104	102	100	99

Eastman Chemical Company*Valuation of Options Granted under ESOP*

Current Stock Price	\$63.56
Risk Free Rate	4.00%
Current Dividend Yield	5.22%
Annualized St. Dev. of Stock Returns	49.00%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	1.038	71.00	3.90	\$ 16.72	\$ 17
Range 2	1.202	84.00	6.90	\$ 17.12	\$ 21
Range 3	0.882	107.00	4.60	\$ 11.94	\$ 11
Range 4	0.345	121.00	7.20	\$ 13.38	\$ 5
Total	3	\$ 89.64	5.45	\$ 24.45	\$ 53

