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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Hexion Second Quarter 2017 Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to turn the conference over to John Kompa, Investor Relations for Hexion. Sir, you may begin.

John Kompa *Hexion Inc. - VP of IR & Public Affairs*

Thank you, Tequia. Good morning, and welcome to Hexion Second Quarter 2017 Conference Call.

Leading today's call will be Craig Rogerson, Chairman, President and CEO; George Knight, Executive Vice President and Chief Financial Officer; Joseph Bevilaqua, Chief Operating Officer and Mark Bidstrup, Senior Vice President and Treasurer.

As a reminder, this call is also being webcast, and the slides referenced in today's conference call are available through the hexion.com website under the Investor Relations section of Hexion. A replay of this call will be available for 1 week, and the replay dial-in information is contained in our latest earnings release.

Before we start, I'd like to read information about forward-looking statements and use of non-GAAP information as part of this call. As you know, some of our comments today may include statements about our expectations for the future. Those expectations are subject to known and unknown risks, uncertainties and other factors that may cause the company's actual results and performance to be materially different from any future results or performance suggested by these expectations.

The slide you now see gives you more information on the assumptions and factors we consider in making those forward-looking statements. We can't guarantee the accuracy of any forecasts or estimates, and we undertake no obligation to update any forward-looking statements during the quarter, except as otherwise required by law. For more information on our risk factors, please see our earnings press release and our SEC filings.

In addition, some of our comments may reference non-GAAP financial measures. A reconciliation of the most directly comparable GAAP financial measure and other associated disclosures are contained in our earnings release and on our website.

Our release and our recent SEC filings are available on the Internet at hexion.com. Briefly turning to slide 3, we've included background on today's presenters, Craig Rogerson, our recently named Chairman President and CEO and George Knight, our CFO.

With that, I'll now turn the call over to Craig Rogerson to discuss our quarterly results.



Craig A. Rogerson *Hexion Inc. - Chairman, President & CEO*

Thanks, John. Good morning, everyone, and thank you for joining our call today. Before I address the quarter, let me underscore how excited I am to have been selected to lead Hexion. It's been just over a month since I became CEO and I am very encouraged by our portfolio, our people and our prospects for long-term growth.

Going forward, we plan to drive product innovation and close partnership with our customers, while strategically optimizing our cost structure and business portfolio, as well as continue to operate our plant safely and in an environmentally responsible manner. I'm confident in the team's ability to accelerate growth and I look forward to reporting our ongoing progress.

Turning to our latest results as shown on Slide 5, we achieved revenue and volume gains of 7% and 5%, respectively, adjusted for our divestitures in last year's second quarter compared to 2016. Offsetting our topline growth, we experienced headwinds from the temporary destocking and competitive pressures impacting our specialty epoxy business due to softness in the China wind energy market.

While multiple business units posted volume gains, reflecting solid underlying demand, second quarter 2017 EBITDA declined by 13%. Excluding specialty epoxy, the remaining portfolio segment EBITDA grew 25% in a year-over-year basis, which reflected strong gains in North American forest products, the continued cyclical recovery of our oil field proppants and base epoxy resin businesses and growth in our waterborne coatings, partially offset by the slowdown in specialty epoxy that I just mentioned.

Going forward, we remain focused on achieving the balance of our in-process cost savings, which totaled \$17 million. We continued to expect to achieve the majority of these initial manufacturing and SG&A savings over the next 12 months.

We also continued to see good traction from our new formaldehyde plants, which performed well and contributed \$6 million in EBITDA in the second quarter of 2017 and \$16 million over the last 12 months. We anticipate that the 3 sites can deliver approximately \$30 million to \$35 million in run rate EBITDA over the next few years, representing additional upside to our current earnings trajectory.

Turning to Slide 6, you can see an overview of our second quarter 2017 results. Reported revenue decreased 4% year-over-year to \$912 million, primarily reflecting the impact of divestitures. Adjusted for the impact of the recent divestitures, we posted solid top line growth of 7%.

Hexion posted a net loss of \$34 million to net income of \$150 million in the prior year.

The Prior year period included \$240 million gain on dispositions. Reported segment EBITDA decreased 23% to \$100 million, primarily reflecting the impact of divestitures in the soft specialty epoxy market. When adjusted for these divestitures, segment EBITDA decreased 13% year-over-year.

Turning to Slide 7 and our combined raw material index, our total raw material cost decreased 5% on a sequential basis. When considering our 3 major raw materials on a year-over-year basis, the average price per methanol over phenol and methanol increased in the first half of '17 compared to the first half of '16 by 21% and 66%, respectively, while urea declined by 1%.

In the second half of 2017, we expect more favorable raw material trends compared to the first half of this year.

Turning to Slide 8. We remain focused on achieving the majority of the \$17 million of targeted in-process structural cost savings over the next 12 months.

As previously announced, the closure of our Norco site occurred in mid-2016, and we fully achieved the \$20 million instructional savings associated with this site rationalization. The remaining savings are linked to our manufacturing optimization efforts and our phenolic specialty resins business and SG&A actions designed to further streamline the organization.

To support our growth plans, we recently announced plans to expand our technology center in Edmonton. I've already toured the Edmonton

site and it's an impressive facility and a key site within our forest products grid. The R&D expansion, which is expected to be completed in the third quarter this year, will focus on developing next generation resins, aligned with our EcoBind low emission resin technology. This investment is in line with our ongoing focus of driving innovation and high-margin specialty products and applications.

With this technology center in Edmonton and our European tech center, we've strategically invested in labs that are in close proximity to our global customers and are intended to accelerate collaboration on new product development.

Turning to Slide 9. Both our base epoxy resins and oil field proppants business continued to rebound from cyclical lows. As we've said before, we expect industry fundamentals and structural savings from our Norco closure to support improved base epoxy resins profitability in 2017.

In the second quarter, we saw strong gains in base epoxy profitability, driven by strong cost controls, gradually improving demand and volume increases of approximately 8% year-over-year.

Now turning to our oil field proppants business. We continue to benefit from our market-leading position, where we hold the #1 position in Canada and the #2 position in the U.S. With a diversified portfolio and proprietary technology, we remain well positioned to take advantage of a cyclical recovery in the oil and natural gas markets, as evidenced by a 55% increase in our resin coated proppant volumes in the second quarter of this year, compared to the second quarter of 2016.

On Slide 10, you can see the continued growth in our formaldehyde business. The new formaldehyde plants continue to run well and our second quarter volumes increased approximately 9%. Our Gulf Coast plants delivered an incremental \$6 million in the quarter.

We continue to expect our new formaldehyde assets to be strong contributors to the overall segment performance going forward.

Turning to our EPCD segment. While our market leading specialty epoxy resins serving the China wind energy market, continues to be challenged, we believe that it's bottomed out. We expect near-term growth in this segment, driven in part by our next gen epoxy waterborne system. This technology offers a coating performance that is comparable to solvent-borne systems while eliminating the concerns around VLC's.

The growth we are seeing in our waterborne coatings are supported by a tailwind of legislation driving improved environmental performance. As of April 1 this year, all future shipping containers manufactured in China must use waterborne materials as protective coating for metal substrates. Our system is more cost competitive than that of traditional waterborne epoxy system. Systems and leverages are EPI-REZ solid epoxy resins and EPIKURE Curing agents. We are well positioned to benefit as the waterborne epoxy market grows and we've already eclipsed our full year 2016 volumes in the first half of 2017.

You can see from the chart that we have forecasted significant growth for the remainder of the year.

Our NextGen epoxies are also designed for railway coatings, concrete coatings, auto parts and other industrial coating applications, and considering the wide varieties of these applications, we are optimistic about our growth opportunities in this key, specialty product line.

Let me now turn the call over to George Knight, to further discuss our financial results.

George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

Thank you, Craig. Turning to Page 12, in our forest product resins segment, second quarter 2017 revenue totaled \$395 million, a 17% increase from the prior year, reflecting higher volumes of 3% and positive price/mix of 15%, partially offset by negative currency translation of 1%. Segment EBITDA increased by 8% due to higher segment volumes, cost efficiencies from the new formaldehyde facilities and continued strength in our North American resins business.

Turning to the next slide, in our epoxy phenolic and coating resins segment. Second quarter 2017 revenue totaled \$517 million or a 16% decrease from the prior year, due to a 16% impact from our divestitures, negative currency translation of 2%, volume declines of 1%, offset

by positive price/mix of 3%. Adjusted for the divestitures, revenue was essentially flat year-over-year.

Segment EBITDA results decreased by \$37 million compared to the prior year, reflecting destocking and competitive pressures in specialty epoxy resins, primarily from our China wind energy business. Improved oil field proppants and base epoxy resins partially offset the decline. Adjusted for divestitures, segment EBITDA declined by \$22 million.

Regarding our balance sheet, as you can see on Page 14, our cash plus borrowing availability under our credit facilities was \$323 million at the end of the second quarter, reflecting a normal seasonal working capital build. We invested \$57 million in capital expenditures in the first half of 2017 and continue to expect to invest between \$100 million to \$110 million for the full year. We continue to focus on appropriately managing our working capital going forward. Networking capital reflected higher volumes and remains a modest 14% of sales.

I'll now turn the call back to Craig.

Craig A. Rogerson *Hexion Inc. - Chairman, President & CEO*

Thanks, George. So, operator, that concludes our prepared remarks. We'd now like to open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question will come from the line of Nathan Schumer of JPMorgan.

Unidentified Analyst

On the epoxy segment, can you kind of bridge the impact of the destocking year-over-year? And just sort of how should we think about that in the third quarter?

Craig A. Rogerson *Hexion Inc. - Chairman, President & CEO*

Let me, this is Craig. Let me make a comment, Jody is here to provide more color, since I don't feel very well prepared to do much after being here for a month. Generally, I think, as I said in my comments, I think we believe it's bottomed out from the wind side and we see waterborne as a real opportunity to show some bottom line and top line growth as we get to the second half of the year and into 2018, but for some specific color, maybe, Jody, you can comment.

Joseph P. Bevilaqua *Hexion Inc. - COO*

Specifically for the destocking in China, which is the primary issue for epoxy specialty, we see net destocking throughout the second quarter and believe that it is bottomed out. The number of gigawatts that have been installed in the system shows that it's declined on a quarter-over-quarter basis, but for the most part, we believe it's completed. Certain customers will have slightly bigger issues, but on average, it's finished.

Unidentified Analyst

So you're starting to see incremental improvement in the third quarter already?

Joseph P. Bevilaqua *Hexion Inc. - COO*

Yes.

Unidentified Analyst

And then, just the last one for me is, working capital, looks like you built quite a bit up in the first half. Should we expect you to release some working capital in second half in [terms] of cash?

George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

Yes. Consistent with what you have seen in prior years, we expect our working capital balances to go down in the second half of the year.



Operator

Our next question comes from the line of Roger Spitz of Bank of America Merrill Lynch.

Roger Neil Spitz BofA Merrill Lynch, Research Division - Director and High Yield Research Analyst

First, on the Shell Pernis refinery outage, we understand that may have had some impact on some downstream, we've heard about propylene forest [majeure] perhaps, can you speak to how -- you have made your plant facility obviously in Pernis, could you speak to how you have been impacted? Have you been able to get all the raw materials you need? Have prices for those raw materials moved up? Can you talk about that first, please?

Craig A. Rogerson Hexion Inc. - Chairman, President & CEO

Again, this is Craig. Let me make some first broad comments and then Jody, maybe you can add -- again add some color. We're back up and running, Roger, and through the strong partnership with Shell, have done -- gotten back up and running safely and responsibly. No customers were or are affected by the outage. So we've come through at least to this point, pretty cleanly from a business perspective. And maybe again, Jody can comment.

Joseph P. Bevilaqua Hexion Inc. - COO

Yes, the only thing I would add on the propylene side, that does feed our EPIKOTE hydrant unit. We were able to just keep that unit down and we have actually picked up parcels on the market for EPIKOTE hydrant. So we're able to run around that unit and keep everything downstream operating. And that's going to be less than about a KT of purchases, so nothing really substantial that will have any really material effect for the results this month.

Roger Neil Spitz BofA Merrill Lynch, Research Division - Director and High Yield Research Analyst

No EBITDA impact in Q3? Is what you said, Jody?

Joseph P. Bevilaqua Hexion Inc. - COO

We'll have some expenses, yes, so technically there will be EBITDA, but it will be marginal.

Roger Neil Spitz BofA Merrill Lynch, Research Division - Director and High Yield Research Analyst

Marginal?

Joseph P. Bevilaqua Hexion Inc. - COO

Yes. To Craig's point, we're up and running certain portions of the unit in 5 days, that's not quite in the press. Other pieces of it took us about 10 days, so it's not -- it wouldn't have a complete shutdown everywhere for the full week. So ...

Roger Neil Spitz BofA Merrill Lynch, Research Division - Director and High Yield Research Analyst

Okay. And then, is specialty epoxy's EBITDA, which, I'm assuming, includes the entirety of the wind energy. Is that -- in this quarter, would you be able to say whether that EBITDA is still positive and just down a lot? Or is it gone to neutral or negative?

George F. Knight Hexion Inc. - Executive VP, CFO & Director

Yes, no, overall the specialty epoxy is still positive.

Roger Neil Spitz BofA Merrill Lynch, Research Division - Director and High Yield Research Analyst

Okay. And can you comment on Versatic Acids and Derivatives EBITDA year-over-year, was that up? You made it sound like all the rest of the businesses were up other than specialty epoxy, was Versatics up?

George F. Knight Hexion Inc. - Executive VP, CFO & Director

Versatics, last year, we had the benefit of some business interruption, insurance. So when you adjust for that, as well as some timing of turnarounds, it was pretty much flat year-on-year from an EBITDA perspective, but volumes were actually up a little bit.



Roger Neil Spitz BofA Merrill Lynch, Research Division - Director and High Yield Research Analyst

Okay. And let's see, the -- on Slide 10, you're showing your resins business to volumes, which seem to be up a lot. Why is the 2017 volumes up so much in resins? Obviously, you expanded your formaldehyde plants. Have you been expanding your resins plan? I'm assuming this is phenolic resins, which are much bigger than melamine formaldehyde and urea formaldehyde. And of course, OSB is growing great guns. So I get that, but I mean, those volumes are just very, very large, the increase.

George F. Knight Hexion Inc. - Executive VP, CFO & Director

Yes. I think on page 10, Roger, on the left-hand side, those are our formaldehyde volumes. And then on the right-hand side, those are our waterborne volumes, which is part of our specialty epoxy business.

Roger Neil Spitz BofA Merrill Lynch, Research Division - Director and High Yield Research Analyst

All right, my fault. Okay, I was thinking those are resins. And then, last -- you have any -- if you wanted to go that route, any other assets where, not necessarily that they're not non-core, but that would make sense to sell, if you were interested in selling at an interesting price?

Craig A. Rogerson Hexion Inc. - Chairman, President & CEO

I think that clearly, we're always looking at these things through the length of creating value. And yes, there is some potential opportunities. We continue to look at all of those. The key to maximizing the value out of those is to make sure that we have the optimum -- maximum profitability we can drive. And so that's been the focus. I know, well before I got here. And clearly it's been the focus as we go into the third quarter. But yes, we continue to look at options relative to that and look at the balance between the income statement and the balance sheet, and our liquidity. So yes, there are things we continue to evaluate.

Operator

Our next question comes from the line of James Finnerty of Citi.

James Peter Finnerty Citigroup Inc, Research Division - Director

Just going back to epoxy, the comments on the slides are that oil field proppant and base epoxy resins, EBITDA improved year-over-year. Are both of those -- were both of those positive EBITDA contributors in the quarter?

George F. Knight Hexion Inc. - Executive VP, CFO & Director

Yes. Base epoxy was positive. Oil field, again, if you adjust for some of the allocations, it was about breakeven.

Craig A. Rogerson Hexion Inc. - Chairman, President & CEO

I think that other than that, as George said, that's exactly right. But on the margin, significantly better than prior year.

George F. Knight Hexion Inc. - Executive VP, CFO & Director

Prior year, that's correct.

James Peter Finnerty Citigroup Inc, Research Division - Director

Would this be the first quarter that proppants was breakeven? In recent time?

George F. Knight Hexion Inc. - Executive VP, CFO & Director

Yes.

James Peter Finnerty Citigroup Inc, Research Division - Director

Okay, great. And then, on the NexGen that Roger highlighted on Slide 10, can you give us any idea of the size or the revenue base there as it's -- is it \$10 million, is it \$20 million, \$50 million, just to give us an idea of the growth opportunity?



Joseph P. Bevilaqua *Hexion Inc. - COO*

Yes. It's growing significantly at double digits. We believe at that -- it's -- there's been a fair amount of publication around the changing parameters in China, particularly, around the low VLC's, so pretty suffice to say we're shipping as much as we can produce globally into China at this point with that kind of growth.

James Peter Finnerty *Citigroup Inc, Research Division - Director*

Maybe another way to ask the question would be, what's your capacity to produce currently? And would you need to potentially increase that?

Joseph P. Bevilaqua *Hexion Inc. - COO*

We're bringing on a new reactor this month, and we'll have another reactor come on board in January.

James Peter Finnerty *Citigroup Inc, Research Division - Director*

Okay, and then, just, back to the specialty epoxy, you stated that segment EBITDA was up 25% year-over-year, excluding specialty epoxy. Is there any way you can give us an idea of the magnitude of specialty epoxy earnings so we can sort of think throughout what's the earnings are ex specialty epoxy?

Craig A. Rogerson *Hexion Inc. - Chairman, President & CEO*

I think the statement that I made was that the balance of the businesses were up 25%, if you take out specialty epoxy. So that's across everything, including forest products. The EPCD is -- we report the side of the segment, and clearly, I think, it's relatively clear that the speciality EPS business is the biggest portion of that. And wind energy was, always been talked about is a significant portion of that piece. So the waterborne, that's -- we're talking about is growing great guns. And we're adding capacity is very significant, but it doesn't, as we showed even in the second quarter here, it didn't fill up the hole, right, the hole caused by wind. So it's, just give it, relative, relative, I don't want to talk about specifics, within this segment, obviously.

James Peter Finnerty *Citigroup Inc, Research Division - Director*

Yes, but safe to say that specialty is north of 50% of the segment's earnings on an LTM basis?

George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

Yes.

Craig A. Rogerson *Hexion Inc. - Chairman, President & CEO*

Yes.

Operator

Our next question is from the line of Richard Kus of Jefferies.

Richard E. Kus *Jefferies LLC, Fixed Income Research - Analyst*

So can you help me understand the price impact in the epoxy business a little bit. Certainly your input costs are up a heck of a lot more than 3% on a year-over-year basis. Can you give a -- maybe a little bit more color as to why you're not seeing better pricing in that business? And what's going on there?

Joseph P. Bevilaqua *Hexion Inc. - COO*

Which specific business, I'm sorry?

Richard E. Kus *Jefferies LLC, Fixed Income Research - Analyst*

The epoxy business itself.

Joseph P. Bevilaqua *Hexion Inc. - COO*

Well, in our base epoxy resins business, we are seeing improved margins, based on the fees into the intermediate -- into LER and equivalents. So we are seeing improvement there. On the precursors side, there's actually been a little bit of uptick in pricing and margin in precursor. So EPIKOTE hydrant, BPA. And then, it's really driven primarily around the compression in specialty. And really around the drop in gigawatts of blades produced in China. So the bulk of the pressure has been on epoxy specialty, but on the base epoxy resins, it has actually improved both in precursors and resins.

Richard E. Kus *Jefferies LLC, Fixed Income Research - Analyst*

Okay. So it sounds to me like it's fair to say that there's significant negative mix impact, which is obscuring the apples to apples pricing in that business?

Joseph P. Bevilaqua *Hexion Inc. - COO*

Well, correct. And you've also got turnarounds and some other stuff that we're managing our way through as well.

Richard E. Kus *Jefferies LLC, Fixed Income Research - Analyst*

Okay, understood. And then, you had mentioned that the China wind and energy market has effectively bottomed here. And it's starting to improve a little bit sequentially. I mean, is this the kind of thing where you're seeing your profitability in that business now improve, as you look to the back half of the year?

Joseph P. Bevilaqua *Hexion Inc. - COO*

Well, I think, with lower volumes there is going to continue to be price pressure, based on just available capacity. So we're not expecting a significant improvement in margins in the third quarter. And we'll look to the fourth quarter to expand that as demand comes back a little bit, better than what it's been in the last quarter, quarter and a half.

Craig A. Rogerson *Hexion Inc. - Chairman, President & CEO*

I think, the big improvement that we've talked about, and that's what we've showed in the slide, in the specialty proxy was around the waterborne piece. And so, even if wind stayed at the bottom, where we saw, as the end of second quarter, we see improvement in the EPS business, just driven by the waterborne growth.

Richard E. Kus *Jefferies LLC, Fixed Income Research - Analyst*

Got it. That makes sense. And then you guys noted in your release that you expect to be free cash flow positive through the back half of the year. What's your preferred use of that cash at this point? Is to attack the ABL or would you think about doing stuff elsewhere in the structure?

George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

Yes. We'll probably just improve our liquidity cushion and reduce our ABL.

Operator

Our next question comes from the line of Josh [Gibbleburg] with Nomura.

Unidentified Analyst

I think, in the first quarter press release, you guys said that you expect to be cash flow positive for the rest of the year. And in this press release, you said you expect to be cash flow positive in the second half of the year. And I'm just wondering, if you went back to the original statement in the first quarter press release, would that still hold as well?

George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

Yes. I think the first quarter, was addressing the remaining 3 quarters for the year.

Unidentified Analyst

Yes. Okay, so -- did you guys eat a lot of working capital in the second quarter as well, when you expect all of that to unwind?



George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

Yes, second quarter, we build working capital. Part of that was the increase in the raw material prices that we've seen this year. With the normal seasonality, we expect working capital to reduce and be a source of cash in the second half of the year.

Operator

And our next question comes from the line of Dustin Shapir of Oak Hill.

Dustin Shapir

I noticed that your formaldehyde volumes were up 9% this quarter, yet forest product resins volumes were up 3%. Can you help me bridge that or were there any other product segments in forest product resins that was negative volume this quarter?

George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

Yes. I think, they offset the solace, mostly in our international forest products segments there. For example, in Europe, our volumes were down. We had -- one of our customers had an outage during the quarter that reduced the volumes there. In Latin America, we saw a slight decrease also, just based on some of the things you're seeing in the economy down there.

Dustin Shapir

That's despite the new -- online?

George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

Pardon, can you repeat the question?

Dustin Shapir

Are all the 3 of your formaldehyde plants currently operational?

George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

Yes. But as we said previously, Latin America, we are not expecting to see much from a contribution standpoint to 2018. Just again, based on the economy down there.

Operator

(Operator Instructions) Our next question will come from the line of James Finnerty of Citi.

James Peter Finnerty *Citigroup Inc, Research Division - Director*

I just want to ask a question regarding China wind energy, there was a sort of new pronouncement there, at the end of July. Part of their key 5-year plan, where they talked about adding more wind capacity by 2020 than previously. Just want to get your take on that, whether that could be possibly improve the outlook for demand in the out years?

Craig A. Rogerson *Hexion Inc. - Chairman, President & CEO*

I think, with the newness of that announcement, I think it was about 60 gigawatts. There was a range, I think 60 to 100 if I recall. That clearly gives everyone in that segment a bit of a boost. We're not sure what that means exactly year-by-year, but we did see that and obviously already working on making sure we participate to the maximum.

Operator

And our next question comes from the line of [Svet Nichols] of Cyrus.

Unidentified Analyst

Just had a question about comments regarding volumes. I think in the press release, you talked about 5% overall volume growth over last year, but when I look at the segments, one grew 3%, one actually declined 1% volume wise. So are these apples to apples comparisons (inaudible) something else to bridge that?



George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

Yes. I think the 5% was adjusted for the divestitures of last year.

Unidentified Analyst

Okay. And the ones in the individual slides were not?

George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

That's correct.

Unidentified Analyst

Got it. So do you have the -- I guess, the negative 1% in epoxies, would that be adjusted for the divestitures?

Craig A. Rogerson *Hexion Inc. - Chairman, President & CEO*

We may have to get back to you on that.

George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

Yes, we'll have to get back to you on that.

Operator

Our next question comes from the line of Michael Marczak of DoubleLine.

Unidentified Analyst

Craig, you have a great track record. And obviously, the company has an update maturity wall that effectively starts in 2020. I'd love to, kind of get your perspective, as you look at this business with effectively a fresh perspective, what product segment are you most excited about to drive profitability to be equal to address the maturity wall?

Craig A. Rogerson *Hexion Inc. - Chairman, President & CEO*

Yes. I think, you clearly stated the issue that we have. As I was looking at the opportunity and got a feel for the businesses, there's a lot of things to be excited about. There is the optionality and some recovery in oil and gas for the OTG business. You can see how strong the wind business has been and I don't think that there's anybody that views that wind isn't going to be an integral part of the renewable story going forward. And with more offshore and the longer blades, it really bodes well for us with our technology. So I was excited about that. Clearly, in the forest products side, you see some recovery in housing builds, we're seeing some strength there, the new formaldehyde plants in place to support that. And probably, what I've been most impressed with, that I really couldn't see from the outside looking in, was the new product pipeline. There's been a lot of our efforts around new product development, there's some exciting things, waterborne we talked a little about but there's products across the portfolio that can really add in relatively short term, between now and that bottom maturities in 2020 that could contribute to the EBITDA. Now again, I talked about value creation and we're going to have to look at all of the assets we have and determine how best to create value we deal with that maturity that's coming up. But in the meantime, what we've got to do is focus on in maximizing the profitability of those businesses. It's the same thing we'd be doing regardless of their part of the portfolio at the end of the day, or not. That's where everybody is got to be focused on and delivering on the commitments that we've made so that we're sure of what the facts are when we look at these valuations and that's what we're going to be focused on. But -- excuse me, I've been impressed with the opportunities that we have here, both short-term and medium-term. That should really bode well for us dealing with the issues we've got coming up in a couple of years.

Operator

Our next question comes from the line of Clayton Lechleiter of Imperial Capital.

Clayton James Lechleiter *Imperial Capital, LLC, Research Division - Associate Analyst, Distressed and Special Situations*

I was just wondering, looking at some of the disclosures that were made, regarding sizing the business of EPC. Is it sort of safe to say, based on the proppants drag and kind of 2016 and where base epoxy was, kind of near 0, like that you kind of can say 40% of the business is sort of Versatics and Phenolic Resins? In terms of earnings?



George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

Over what period are you talking about?

Clayton James Lechleiter *Imperial Capital, LLC, Research Division - Associate Analyst, Distressed and Special Situations*

In 2016.

George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

In 2016? Yes. Specialty epoxy had a very strong year. Versatics had a very strong year.

Clayton James Lechleiter *Imperial Capital, LLC, Research Division - Associate Analyst, Distressed and Special Situations*

Just, with the comment you made that it's more than half of the earnings, currently. And kind of some of the disclosures around base and proppants. Is that sort of safe to say Versatics and Phenolic contributed about 40% earnings?

George F. Knight *Hexion Inc. - Executive VP, CFO & Director*

No. It's less than that.

Operator

I'm showing no further questions in queue at this time. I would like to turn the conference back over to Craig Rogerson, CEO of Hexion, for closing remarks.

Craig A. Rogerson *Hexion Inc. - Chairman, President & CEO*

Well, thank you. I appreciate everybody's interest today, and look forward to the call again in a couple of months. So thank you.

Operator

Ladies and gentlemen thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone, have a great day.

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