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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to First Quarter 2012 Momentive Specialty Chemicals, Incorporated Earnings Conference Call. My name is Pam, and I'll be your operator for today. At this time, all participants are in listen only mode.

(Operator Instructions)

As a reminder, this conference is being recorded for replay purposes. I would now like to turn the call over to Mr. John Kompa, Director of Investor Relations. Please proceed, sir.

John Kompa - *Momentive Specialty Chemicals, Inc. - Director, Investor Relations*

Thank you, Pamela. Good morning, and welcome to Momentive Specialty Chemicals First Quarter 2012 Earnings Conference Call. Leading today's call will be Craig Morrison, Chairman, President, and CEO; Bill Carter, Executive Vice President and Chief Financial Officer; and George Knight, Senior Vice President, Finance and Treasurer.

As a reminder, this call is also being webcast and the slides referenced in today's conference call are available through the momentive.com website under the Investor Relations section of Momentive's Specialty Chemicals. The slides will be downloadable shortly so in the interim, please follow the live webcast.

A replay of this call will be available for three weeks. And the replay dial in information is contained in Momentive's Specialty Chemicals First Quarter 2012 Earnings Release.

Before we start, I'd like to review information about forward-looking statements and the 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 risk, 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 forecast 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 earnings release and our recent SEC filings are also available on the Internet at Momentive.com.

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

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Thanks, John. Revenues were \$1.2 billion, compared to \$1.3 billion in the prior year as the decline reflected lower volumes from macroeconomic volatility and certain unused markets partially offset by pricing actions. Segment EBITDA totaled \$149 million, compared to \$178 million in the prior year. First quarter of 2012 was impacted by continued economic volatility in Europe and Asia, and a shift in product mix due to lower volumes in certain key products.

Our results also reflected improved performance for our base epoxy resins and North American forest product resins, demonstrating the breadth of our product portfolio and the past -- and the benefit of past cost actions. We were also pleased to post strong sequential quarterly improvement in volumes in segment EBITDA compared to the fourth quarter of 2011 with sales increasing 7% and segment EBITDA improving by 41%.

First quarter 2012 operating income totaled \$44 million, compared to operating income of \$119 million in the prior year, reflecting the same trends as segment EBITDA, as well as higher asset impairment and business realignment costs. Realignment and impairment costs negatively impacted operating income by \$35 million.

We continue to make strategic investments in our specialty product lines and high growth BRIC regions. Our new versatic acids and derivative joint venture China will be fully operational by the end of the second quarter of 2012. This follows the signing of a memo of understanding for phenolic specialty resins joint venture with UPC Technology Corporation in the fourth quarter of 2011, which will further enhance our growth prospects in Asia.

As part of our strategy to offset market volatility, our cost reduction efforts achieved \$7 million savings from the shared service agreement with Momentive Performance materials during the first quarter of 2012. Our run rate savings totaled \$51 million since the program started. Regarding our liquidity position at quarter end, we had a strong position with \$672 million in cash and available borrowings. Finally, we were in compliance with all financial covenants that govern our senior secured credit facilities and indentures.

Turning to slide 5, you can see an overview of our financials. As noted, our first quarter 2012 sales decreased slightly due to softer volumes while segment EBITDA and operating income reflected lower demand and a shift in product mix with declines in our specialty epoxy resins, versatic acid, and oil field resins businesses.

In the first quarter, our versatic acid business reflected weaker demand in European construction market. Specialty epoxy was impacted by a softer wind to energy market in China, while our oil field business faced not only a product -- a difficult prior year comparison, but a slowdown from reduced natural gas drilling. We do believe that these product lines will recover as end use markets rebound and other growth initiatives continue to diversify our end use sales.

Turning to slide 6, and our combined raw material index, you can see that raw materials generally resume their past inflationary trend in the first quarter of 2012 after moderating briefly in the fourth quarter of 2011. On a year over year basis, we saw significant increases in methanol and urea, ranging from 3% to 17%, while phenol declined slightly. MSC continues to demonstrate its long term ability to maintain and improve margins as our ongoing pricing actions generally offset year over year raw material inflation on a quarterly basis.

These are periods of normal -- there are periods of normal lead lag where our pricing temporarily trails inflation. And we've announced a number of pricing actions early in 2012 that are currently in process. Looking ahead, we expect continued raw material volatility in 2012. Despite this volatility, we've demonstrated our long term ability to drive pricing actions over the time period.

Turning to slide 7, you can see our segment sales and segment EBITDA for the first quarter of 2012. In our epoxy phenolics and coatings resin segment, sales declined by \$52 million or 6%. Volume decreases negatively impacted sales by \$21 million, as volumes declined, with the exception of our base epoxy resins and phenolic specialty resins businesses. The negative impact of a shift in product mix was partially offset by the pass through of higher raw material costs, resulting in declining pricing of \$18 million. Segment EBITDA decreased by \$36 million or 24%.

In our forest products resin segment, first quarter 2012 sales declined slightly by \$6 million or 1%. Higher raw material prices pass through to customers, and pricing actions led to overall pricing increases of \$19 million. Volume declines primarily in our European forest products business negatively impacted sales by \$21 million. Segment EBITDA increased by \$1 million or 2%, supported by modest improvement in our North American forest products resins business.

Turning to slide 8, we continue to balance aggressive cost controls with strategic investments in our high growth businesses, such as versatics acids and derivatives. While our versatic acid business is experiencing some temporary softness, we've previously announced our investment in China through a strategic joint venture, which is expected to be fully operational by the end of the second quarter, as the startup period has continued to go well.

The joint venture will produce VeoVa monomer, a key building block ingredient, used in water based decorative coatings, redispersible powders, and adhesives. The new plant in partnership with Shanxi Sanwei Group represents the first manufacturing capacity for VeoVa monomer in Asia, and will increase global capacity for the specialty material by 30%.

The combination of our proprietary technology and BRIC growth has supported our EBITDA growth over the last several years. With six plants that recently became operational or under construction in the BRIC region, we look forward to building our track record of investing for growth.

Let me now turn the call over to Bill Carter, our Chief Financial Officer.

Bill Carter - *Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President*

Thank you, Craig. Turning to our epoxy, phenolic and coating resin segment, our first quarter 2012 revenue totaled \$794 million, decreasing 6% versus prior year with volume, price mix, and currency translation declines of 2% respectively.

Quarterly segment EBITDA declined by 24% versus the prior year. As Craig mentioned, our results reflected lower volumes and negative product mix in our specialty epoxy versatic and oil field resins businesses partially offset by an improved performance in our base epoxy business. Also, our phenolic resins business posted slightly higher volumes, and EBITDA was essentially flat, compared to a strong prior year quarter.

We are also pursuing additional opportunities to further improve our cost structure and recently announced two site closings, including an epoxy resins facility in Wessling, Germany and a phenolic specialty resins site in the Czech Republic. We continue to serve customers in these regions from other sites within our network.

Turning to the next slide, in our forest products resin segment, sales decreased slightly to \$442 million with price mix gains of 4% offset by volume declines of 5%. Quarterly segment EBITDA increased by 2% versus the prior year. Our results reflected softer formaldehyde volumes, due to planned customer outages in the first quarter of 2012 that weren't experienced in the prior year. We continue to anticipate long term growth in this business from our formaldehyde specialty products, hexamine and triazine, as well as improving industrial demand.

Our European business also continued to see challenging market conditions in the quarter, and we announced a site closing in Germany as part of our cost reduction initiatives. This follows four forest product site actions that we took in the fourth quarter of 2011 to increase our competitiveness.



In the first quarter of 2012, we posted positive segment EBITDA gains, supported by a modestly improving North American forest products resins business.

Regarding our balance sheet during the first quarter of 2012, we generated cash flow from operations of \$16 million, compared to a use of cash of \$135 million in the prior year. We continue to strengthen our liquidity position with cash plus borrowing availability under our credit facilities of \$672 million at the end of 2011.

Our net working capital in price increased slightly due to an inventory build from a planned turnaround, largely offset by an increase in accounts payable. Net working capital at the end of the first quarter of 2012 as a percentage of LTM net sales was approximately 11%, essentially flat with yearend 2011. Our capital expenditures totaled \$30 million in the first quarter of 2012. We continue to anticipate \$145 million to \$155 million in CapEx for 2012 in support of numerous growth projects.

Finally, we received -- we recently refinanced portions of our capital structure through the issuance of \$450 million in first priority senior secured notes due 2020. The Company used the proceeds together with cash on hand to repay approximately \$454 million aggregate principal amount of existing term loans maturing May 2013 under the Company's senior secured credit facilities, effectively extending these maturities by an additional seven years.

In conjunction with this transaction, the Company extended \$171 million of its \$200 million revolving line of credit facility commitments from lenders from February of 2013 to December of 2014. You can see the benefit of the transaction on our debt maturity profile with weighted average maturity of 6.7 years following the refinancing.

Let me return the call to Craig to wrap up.

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Thanks, Bill. Looking at our segment EBITDA, the first quarter of 2012 continue to reflect negative product mix and the economic slowdown in Europe and Asia, partially offset by improved results from our base epoxy and North American forest products businesses.

Sequentially, we saw sales increase to 7% and segment EBITDA rose 41%. We continue to focus on maintaining a strong liquidity position and balance sheet, while continuing to invest in MSC's growth platforms, such as our new versatic acid joint venture and our phenolic specialty resin joint venture in China that is currently under construction.

Our cost reduction activities with MPM, under the shared services agreement, continues to progress as planned, as we have realized approximately \$51 million in run rate savings. We also continue to take additional actions to further align our cost structure. We were also pleased to successfully complete our refinancing activities in March.

While we continue to anticipate volatile market conditions for the first half of the year, our sequential quarterly improvement compared to the fourth quarter of 2011 supports our belief in a gradually improving demand environment in 2012.

Thank you for your continued interest in the Company. And I will now return the call to John.

John Kompa - *Momentive Specialty Chemicals, Inc. - Director, Investor Relations*

Thank you, Craig. Operator, if you could please remind the callers of those instructions [to advance] Q &A?

QUESTIONS AND ANSWERS

Operator

Certainly.

(Operator Instructions)

And your first question comes from the line of Tarek Hamid with JPMorgan. Please proceed.

Tarek Hamid - *JPMorgan - Analyst*

Good morning.

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Good morning.

John Kompa - *Momentive Specialty Chemicals, Inc. - Director, Investor Relations*

Good morning. How are you Tarek?

Tarek Hamid - *JPMorgan - Analyst*

Very good. Could you guys talk a little bit maybe just high level about the demand across geographies, sort of what you saw in North America versus Europe versus China?

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Yes, absolutely. There's no doubt that the Americas felt stronger led by a strong auto market. Forest products on a comparative basis, although housing starts continue to be depressed, on a comparative basis, we felt a little bit of strength increase there. As well as in Latin America, we have generally seen strong economics there.

So North America and Latin America clearly felt like they were in more of a leadership position. Other areas that also felt relatively strong were India. I think when you look at Europe and specifically the construction market, as well as the auto market did not hold off as well as the North American market. It clearly felt a downturn there. And in Asia, in the electronics, wind, energy, and semiconductor fields, we also felt relative weakness there, as well as on a year over year basis, the construction market was not as robust in China as we have historically seen.

So generally, Europe and Asia are feeling more of slow down. Again, Asia's always a comparative story, but and North America felt stronger basis than either of the other two regions.

Tarek Hamid - *JPMorgan - Analyst*

Thanks. And I guess maybe specifically in Asia, can you talk a little bit about sort of pacing of the Mandarin, the corridor, any sort of changes in March versus January that were abnormal?



Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

I think as the quarter progressed, and as we roll into the second quarter, we're starting to see a little bit of a pickup. You have to remember the Chinese New Year was early in the quarter. So that also impacted not a total quarter basis, but as far as timing throughout the quarter.

China and Japan were the weakest areas. And Korea actually was feeling some weakness there, too, from the electronics industry, while Southeast Asia held up quite well. But I would say as the quarter progressed, we continued to feel a slight strengthening. And that trend has continued into the second quarter.

Tarek Hamid - *JPMorgan - Analyst*

Thanks. And one more from me, just on the oil field resins business, kind of can you talk a little bit about how that business has responded to sort of nat gas prices below 2 and some accounts coming down a little bit?

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Yes, I mean, there's just -- there's no doubt that it was negatively impacted, and continues to be negatively impacted as we roll into the second quarter. We have an exceptionally strong management team in that business, who react very quickly on a cost side, as well as on a strategic growth -- from a growth perspective, both in looking at incremental volumes, diversifying globally, diversifying more into oil relative to natural gas. But all of those shifts take a little bit of time.

So there's absolutely no doubt we're feeling the downturn relative to \$2 gas. And rigs count declining. But net-net, on a longer term, this is a great business and with long term growth perspective.

Tarek Hamid - *JPMorgan - Analyst*

Great, thank you.

Operator

And your next question comes from the line of Bill Hoffmann with RBC Capital Markets. Please proceed.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Thanks, and good morning.

John Kompa - *Momentive Specialty Chemicals, Inc. - Director, Investor Relations*

Hi, Bill.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Just to follow on the oil field side, Craig, what is the -- about at this point in time between there's oil and natural gas, fracking?



Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Yes, we don't disclose that for competitive reasons, Bill, but I'll simply say we are disproportionately strong in the natural gas segment, although our oil field penetration is growing significantly as the type of well mix changes. But we don't disclose for competitive reasons that exact mix.

Bill Hoffmann - *RBC Capital Markets - Analyst*

And just to help understand a little bit better -- you use higher volumes in one versus the other, or --?

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Well, it's -- as you go into the horizontal wells on natural gas, it uses very significant volumes. But there's also significant volumes on the oil side of the business. It's more a matter of greater penetration into the oil business. And I think we're making good headway there, but it doesn't make up for the decline in natural gas side.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Okay, thanks. And then, just as we've seen this pattern real for the inventory stock, and then we incurred in the back half of last year. And then as you come into 2012, obviously, the pace of business did pick up, as you kind of indicate through the first quarter.

If you had to think about the second quarter, now that we're in -- part way into May was there -- is there any way to sort of help us quantify what March, April might have looked like, versus January, February? Is it up 25% on a monthly basis or back to (inaudible)?

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Yes, we don't give very specific guidance looking forward. In all candor, I will say it's a fairly mixed. Certain segments are coming under continued pressure. Other segments are starting to feel the rebound. And I think Asia's a good example of that, while Europe, I don't feel as much of a recovery there.

But we don't really give guidance as to the first couple of months. Specifically, what are we feeling compared to the first couple months? And it really is -- depends on very much the mix of businesses that are going up and down. Clearly, oil field continues to feel the pressure from the \$2 natural gas, but I would say in all candor, it's more of a mixed bag. It's not uniformly strong. And it's very specific to the region and used market.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Right. And I guess you're also indicating electronics is bouncing back a little bit over in Asia?

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Well, overall, the Asian market is bouncing back and we ought to start to see a little more life. But again, it's on a relative basis to the first quarter, which was not strong.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Okay, thanks. And then, just last question, the forest products closures -- the capacity closures you did at the end of last year in Wessling, any thoughts on helping us quantify the positive impact of that?

Bill Carter - *Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President*

Yes, actually, what you'll see is from an add back perspective in our -- and it's in the press release in terms of the benefits we see, they will be reflected in there.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Okay.

Bill Carter - *Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President*

And we show -- in terms of that, it's attached to the press release.

Bill Hoffmann - *RBC Capital Markets - Analyst*

Got you, okay. Thank you.

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Thank you.

Operator

And your next question comes from the line of [Brian Chavarria] with Credit Suisse. Please proceed.

Brian Chavarria - *Credit Suisse - Analyst*

Good morning, gentlemen. Thanks for taking my call.

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Hi, Brian.

Brian Chavarria - *Credit Suisse - Analyst*

Just a couple questions, kind of following up on some of the restocking discussion. In the press release you mentioned there's obviously some seasonal restocking coming into the first quarter. Is there a way to kind of break out what you thought was kind of the restocking impact in the quarter versus actual improvements in underlying demand? Obviously, coming off of the fourth quarter was obvious pretty weak from the inventory side.

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Yes, I mean, I think -- we don't give out specific numbers on restocking per se. I'd say that by far, the biggest factor is the economy is starting to come back in different segments. Historically, we had talked about when you looked at the fourth quarter and destocking, about an 18% of impact



relative to a downturn at that time. But that'll give you a little bit of a guidance, but we don't give out specific numbers. But I would say it's not the major driver per se.

Brian Chavarria - *Credit Suisse - Analyst*

Okay, thanks. And then, on working capital, it seems like you guys did a very good job of managing them this quarter. Is there any kind of specifics that -- specific items that you guys can point to as to how you were able to keep such good control during the quarter?

Bill Carter - *Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President*

Yes, I would say a few different things. As we've talked about working capital over the last several quarters, and specifically around inventory, we have implemented a number of tools connected to SAP to help us in demand planning, supply chain planning. I think those tools continue to benefit certainly our inventories and our ability to control inventory at a relatively low level.

We've also, from a receivables perspective, implemented a number of programs in terms of improving terms with our customers, which we've seen the benefit of as well. So I would say our working capital percentages and the improvements we've seen have been the continued kind of hard work around the blocking and tackling of managing inventory receivables.

Brian Chavarria - *Credit Suisse - Analyst*

Okay, so is there something like as maybe we can look at as a better idea of kind of some of the swings going forward? Would that --?

Bill Carter - *Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President*

Yes, from a swing perspective, as you know, we traditionally build working capital in part for seasonality. In the first half of the year, you saw some build in the first quarter. You'll see some in the second quarter as well in terms of especially those businesses tied to construction in the northern hemisphere. We would expect then by the time we get to the third quarter to start to see working capital flatten out. And we would expect as in prior years, a benefit in the fourth quarter.

Brian Chavarria - *Credit Suisse - Analyst*

Okay, thank you.

Operator

And your next question comes from the line of Michal Marczak with UBS. Please proceed.

Michal Marczak - *UBS - Analyst*

Good morning.

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Hi, Michal.



Michal Marczak - UBS - Analyst

Craig, how much of the 7% sequential increase in sales came from pricing mix and how much came from improvement in volumes?

Craig Morrison - Momentive Specialty Chemicals, Inc. - Chairman, President, CEO

Let me just dig that up. Hold on a second. Yes, Michal, I don't have that at my fingertips. Let us get back to you on that.

Michal Marczak - UBS - Analyst

Sure. And I guess just want to make sure I understand the add back from the service agreement. You've mentioned that you hit your run rate savings of about \$51 million, which I think is in line with the original \$50 million guidance was. And I know you've talked about potentially increasing that. How should we think about the \$23 million add back in the LTM adjusted EBITDA? Does that mean you've got another \$23 million of the -- on top of the current \$51 million of run rate cost savings from this joint services agreement?

Bill Carter - Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President

Yes, what that's referring to, the \$51 million is a run rate, which means that we've taken all the actions necessary to get the savings. The add back of 23, our -- that part of the 51 that is not yet reflected in our earnings. So it means we may have taken an action, for instance, in the first quarter of 2012 in terms of a headcount reduction or a restructuring that still needs to be reflected in the rest of the 2012 earnings. So, that add back shows the full impact of the pro forma action.

Michal Marczak - UBS - Analyst

Got it. But do you see further opportunities on top of the \$51 million at this point?

Bill Carter - Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President

We continue to work on our opportunities and we believe there are opportunities, where we will exceed the original estimates we've put out. And you remember, this is a program that originally started in \$100 million for both company involved. We then extended it slightly in terms of kind of somewhere near the 110. We believe there will continue to be opportunities as we go forward in 2012.

Michal Marczak - UBS - Analyst

Got it, thank you. And, finally, what should we expect your cash tax rate to be in 2012?

Bill Carter - Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President

About 10%.

Michal Marczak - UBS - Analyst

Great, thank you.

Operator

(Operator Instructions)

All right, and your next question comes from the line of Roger Spitz with BAML. Please proceed.

Roger Spitz - BAML - Analyst

Thank you, good morning, guys.

Craig Morrison - Momentive Specialty Chemicals, Inc. - Chairman, President, CEO

Hey, Roger.

Bill Carter - Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President

Hi, Roger.

Roger Spitz - BAML - Analyst

Hey, would you consider merging Momentive Performance OpCo with Hex Momentive Specialties OpCo should you find it financially attractive to support from one of the OpCos with the other OpCo?

Bill Carter - Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President

Roger, let me answer it this way. I think rather than supporting one OpCo with the other OpCo, we've talked about, I think, in prior calls our desire to ultimately merge the companies. And we've said from a synergies perspective, we thought we could get the bulk of the synergies without merging them, but we thought there were incremental opportunities still remaining in terms of a merger. And obviously, we have an S-1 on file. We talk a little bit about, you know, operating as a combined entity ultimately.

I think for us, it continues to be opportunistic in terms of the capital markets and some of the restructuring we have to do around our capital structure in terms of when we might do that.

Roger Spitz - BAML - Analyst

Okay. In based on epoxy resins, which were I guess the EBITDA was stronger year over year, if I understood correctly, was that an LER BPA or [EPI] or a combination? And you can discuss those three businesses?

Bill Carter - Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President

It was a combo of LER and BPA. And I think we've continued to see certainly through the first quarter, you know, good demand on the LER side. From the BPA side, there was an outage in the industry, which tightened capacity for a period of time, which also benefited us. And really, no significant impact from the EPI side.



Roger Spitz - BAML - Analyst

Okay. How much of your new Chinese VeoVa volumes are contracted out of the box, or will it be a moderate plant ramp up? And will you be marketing 100% of the output? And, finally, what is your ownership, and will sales and EBITDA be consolidating your financials?

Bill Carter - Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President

Yes, I think in terms of maybe to start with your first question, the output of the facility will be shared with our partner in terms of certain product lines they're currently in. We will then market our share of the output in China and Asia.

I don't believe we have significantly contracted the output of the plant. I believe you will see a ramp up. We operate in that region today and have an existing customer base, but I think we will see, you know, a ramp up over time. It will not be consolidated. It's a joint venture, which under the accounting rules, we do not control. So you will not see it in our consolidated results.

Roger Spitz - BAML - Analyst

Will it be a so-called manufacturing JV that basically you capture effectively the sales and EBITDA or your share of the sales or EBITDA, and that the JV is operated essentially profitless, or is it really a product making JV?

Bill Carter - Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President

Yes, I would say it's certainly a manufacturing JV. And certainly, it will have a profit, but I would consider a manufacturing profit. And then, each party will have off take and would have, you know, the marketing margins.

Craig Morrison - Momentive Specialty Chemicals, Inc. - Chairman, President, CEO

What is going to be captured, though, is the sale of versatic acid into the joint venture, which we will support all of that. And that'll be transferred at a market price. So that will be captured within --

Bill Carter - Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President

In our numbers.

Craig Morrison - Momentive Specialty Chemicals, Inc. - Chairman, President, CEO

-- within our numbers.

Roger Spitz - BAML - Analyst

All right, good. And, lastly, do you continue to have non-core assets for sale, and if so, how much sales and EBITDA and which particular assets would those be?

Bill Carter - Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President

We don't disclose any specifics around asset sales unless we've obviously formally announced them. I would say as we have talked about before, we certainly review our assets portfolio on a regular basis, and from time to time, determine what we view might be non-core for sale.

Roger Spitz - BAML - Analyst

Perfect. Thank you very much.

Operator

And your next question comes from the line of [Brian Shrestest] with (inaudible) Capital. Please proceed.

Mike Shrekest - - Analyst

Sorry, [Mike Shrekest]. Just a quick question on the impact epoxy supply -- supply coming on the epoxy business. Can you could just comment on what the supply outlook looks like over say the next two to five years?

Craig Morrison - Momentive Specialty Chemicals, Inc. - Chairman, President, CEO

Well, I mean, we look at epoxy as an attractive material going forward. And generally, you'd be looking at growth rates of 3 to 5% on a global basis historically. And we think it continues to be an attractive, as it goes into new composite applications in auto and other end use markets. So, it's an attractive segment to be in. And like any business, it has its volatility on a quarter to quarter basis. But the longer term outlook, we look to be quite positive.

Mike Shrekest - - Analyst

And what about just the supply coming into the market? Is there additional supply coming on, or is it in line with --?

Craig Morrison - Momentive Specialty Chemicals, Inc. - Chairman, President, CEO

Are you talking about capacity expansion?

Mike Shrekest - - Analyst

Yes.

Craig Morrison - Momentive Specialty Chemicals, Inc. - Chairman, President, CEO

Again, there's always capacity coming online in different segments, largely Asia right now. But, again, we haven't seen it uncontrollable. And, again, we've seen generally with -- you look at the BERI business and the rebound in the first quarter is a good example, as well as the specialty epoxy, which tends to be more controlled by the Western competitors.

So there are certainly small additions on the specialty end that have come online, and the larger editions in BPA, ECH, and LER tend to be more in the Asia market. We tracked it very closely. And candidly, when we see tightness anywhere in the chain, we aggressively focus on leveraging that to our benefit and have been successful in the past and will continue to focus on that going forward.

Mike Shrekest - - Analyst

Okay. And, lastly, what is maintenance CapEx?



Bill Carter - *Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President*

Maintenance CapEx is -- if you look at maintenance in [EHS] it's about \$60, \$65 million.

Mike Shrekest - *Analyst*

Okay. Thanks, guys.

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Thank you.

Operator

And your next question comes from the line of Brian Lalli with Barclays Capital. Please proceed.

Brian Lalli - *Barclays Capital - Analyst*

Yes, good morning, guys. Thanks for the time. Maybe following just the last couple questions, just so we understand -- 2011, as we've discussed on this call for the past few quarters, definitely benefited from tightness in the base epoxy resin market. It sounds like some of that has continued here in the first quarter of 2012, but you know, I guess, how do we think about that on a year over year basis as, again, my understanding with that had come into a big more equilibrium as we exited 2011?

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Yes, I think when you look at the BERI business, the base epoxy business, there's no doubt that 2011 was a very strong year. In all candor, our visibility is limited. We can -- as we look at the year going out, we don't project it to be quite as strong, but we still can project it to be a good year in 2012.

And to be very honest with you, it can tighten up quite quickly. But right now, I would say it's not quite as robust as 2011, but the first quarter certainly came back stronger than we would have told you and projected in the fourth quarter.

So because it can be volatile because it tends to take its lead off of Asia, it really is a little more limited on visibility. But our best guess right now would be slightly weaker than 2012, I mean, '11.

Brian Lalli - *Barclays Capital - Analyst*

Got it. Okay, thanks. And then, just my second last question, have you or could you give any guidance on what might be cash restructuring costs in 2012, given the actions that you've announced both this quarter and the fourth quarter of 2011, just as we think about it in our models? That's all from me, thanks.

Bill Carter - *Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President*

For the full year for the actions we've announced probably somewhere in the -- I'm going to say \$40 million to \$45 million in terms of the plants. Either we announced at the end of last year, we're closing, or the announcements we had made this year.



Brian Lalli - *Barclays Capital - Analyst*

Okay, great. Thanks, guys.

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Thank you.

Bill Carter - *Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President*

I think --

Operator

And with no further questions --

Bill Carter - *Momentive Specialty Chemicals, Inc. - CFO, Executive Vice President*

Let me just -- operator on the prior question about 4Q versus 1Q, I think the sequential performance -- and the question was how much should we think of that is volume or selling price. I think the bulk of that improvement was in the volume in terms of us seeing improved first quarter volumes versus fourth quarter volumes, and much less on the pricing side.

Operator

All right, and with no further questions in queue, I'd like to turn the call back over to Mr. Craig Morrison for closing remarks.

Craig Morrison - *Momentive Specialty Chemicals, Inc. - Chairman, President, CEO*

Well, I'd like to thank everybody for participating in today's call and taking an interest in Momentive Specialty Chemicals. And we'll look forward to speaking with you on future quarterly calls. Thank you very much.

Operator

Ladies and gentlemen, thanks for your participation in today's conference. This concludes the presentation. You may now disconnect and have a great day.



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