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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Hexion Incorporated Fourth Quarter and Fiscal Year 2015 Earnings Conference Call.

At this time, all participants are in a listen-only mode. Later, we will facilitate a question-and-answer session. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes.

I'd now like to turn the conference over to John Kompa, Investor Relations for Hexion. You may begin.

John Kompa - *Hexion Inc. - VP IR and Public Affairs*

Thank you, Frances. Good morning and welcome to the Hexion Inc. fourth quarter and Fiscal Year 2015 Conference Call. Leading today's call will be Craig Morrison, Chairman, President and CEO, George Knight, Executive Vice President and Chief Financial 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 Inc. A replay of this call will be available for one week, and the replay dial-in information is contained in latest earning's release.

Before we start, I'd like to give you 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 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 to 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 in 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 in our website. Our earnings release and our recent SEC filings are available on the internet at hexion.com.

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

Craig Morrison - Hexion Inc. - Chairman, President, CEO

Thanks, John. Turning to page 4, our fourth quarter revenues decreased 22% to \$909 million, reflecting the negative impact of the strengthening U.S. dollar, softer volumes in oilfield profits and lower selling prices from decline in raw material costs.

On a constant currency basis, net sales decreased by 14% for the quarter. Our segment EBITDA totaled \$73 million, a 20% decrease or a 10% decline on a constant currency basis. With looking at the year-over-year variants, the fourth quarter of 2014 included \$13 million in favorable one-time items, including proceeds from the sale of an intellectual property and a legal settlement.

In EPCD, segment EBITDA decreased by 14% as our specialty epoxy and Versatic acids and derivatives businesses could not fully offset weaker oilfield profit results and the impact of the strengthening U.S. dollar. Our global forest products EBITDA declined by \$13 million primarily due to the \$7 million in currency headwinds, Latin America volatility and softer triazine demand.

Turning to slide 5; we continue to drive our strategic growth plan. In the fourth quarter of 2015, we brought online the second of our three new formaldehyde sites in Geismar, Louisiana as our global forest product expansions remained on track. We've also identified approximately \$35 million in additional productivity projects. As of yearend 2015, we had \$43 million of structural cost savings that remained in process. As part of this program, we've announced plans to rationalize portions of our base epoxy resins business, closing our Norco site in Louisiana by June 2016. We expect this to add \$20 million in segment EBITDA on a run rate basis. This action was taken in an effort to address the excess capacity that exists on a global basis.

Additionally, we're optimizing our phenolic specialty resins business by consolidating capacity from our Duisburg site into our Iserlohn-Letmathe site, which is expected to add approximately \$9 million in segment EBITDA on a run rate basis. The expanded productivity program also includes additional global SG&A reductions.

Turning to slide 6 and our full-year 2015 results; revenues declined 19% to \$4.1 billion, reflecting the negative impact of the strengthening U.S. dollar, softer volumes in oilfield profits, and lower selling prices driven by the decline in raw material costs. On a constant currency basis, 2015 net sales decreased by 11% versus the prior year. Our segment EBITDA totaled \$466 million, a 1% increase or 11% on a constant currency basis. In epoxy, phenolic and coating resins segment EBITDA increased by 6%, reflecting gain in our specialty epoxy products, Versatic acids and base epoxy resins businesses.

Our global forest products EBITDA declined by \$22 million, primarily due to \$27 million in currency headwinds; that offset strength in our North American forest product resins business. Our fiscal yearend 2015 cash and available borrowings for \$587 million, an increase of \$100 million compared to yearend 2014.

Turning to slide 7 and our combined raw material index; you can see our total raw material cost decreased on a sequential basis as our three major raw materials, the phenol, methanol and urea, all declined. Our raw materials remained significantly lower in 2015 versus the prior year, reflecting double-digit declines in our key feedstock cost. We currently project the raw material pricing will remain favorable in 2016.

Turning to slide 8; we've highlighted a significant change within our manufacturing footprint as we continue to take actions to optimize our productivity. In our base epoxy resins business, we've decided to cease operations at our Norco Louisiana site by the end of June 2016. The decision



was driven by large capacity additions in Asia combined with softening global demand for ECH. We will also transfer production in some of our specialty epoxy products be that Norco to others sites.

We believe these changes will enable us to improve our overall manufacturing utilization and cost structure. In addition, it minimizes exposure to the more volatile, intermediate portions of the epoxy market and focuses on our higher value specialty products. To adjust our North American ECH needs, we put in place strategic third party supply agreements.

Turning to slide 9; we've highlighted two samples from our recent strategic growth initiatives. The first is an example of our innovative new product development as our R&D efforts to continue to resolve a new epoxy and composite applications for the automotive market. We continue to expand our composite resin portfolio to provide strong lightweight alternatives for auto manufacturers. For example, our Epikote epoxy resin system has been specified by the BMW Group for the volume production of structural composite parts in the new BMW 700-Series. In the BMW application, Hexion resins are used in certain carbon-fiber-reinforced polymer part.

Our expertise in epoxy chemistry as well as our application and process know-how makes us a leading development partner to lightweight composite technology, such as our other recent examples with Audi and Porsche. We remained committed to developing our new product pipeline, and 19% of our 2015 revenue came from new products developed over the last five years. We continue to invest in our high-growth forest products platform. We successfully completed construction of our new formaldehyde site, Geismar, online in the fourth quarter, and the Luling expansion which came online in February 2016.

Both sites serve long-time customers in BASF and Monsanto as well as others in developed region. All three plants, two in North America and one in Latin America, are now in startup mode.

I'll now turn the call over to George Knight to further discuss our financial results. George?

George Knight - Hexion Inc. - EVP, CFO

Thank you, Craig. Turning to our epoxy, phenolic and coating resins segment, fourth quarter 2015 revenue totaled \$563 million, reflecting a 22% decrease from the prior year due to a negative price mix impact of 9%, currency headwinds of 7%, and the impact of lower volumes of 6%.

Segment EBITDA decreased by \$7 million compared to the prior year as improvement in our specialty epoxy and Versatic businesses was offset by weaker oilfield profit and phenolic specialty resin. The fourth quarter of 2014 also included \$13 million of positive one-time items in the segment that did not reoccur in the current period. As Craig mentioned, we are taking aggressive steps to reduce our costs.

In addition to the closure of our Norco, Louisiana site, we are consolidating our phenolic resole production from our Duisburg, Germany facility and transferring these volumes to our Iserlohn-Letmathe site. Our Duisburg site, however, will remain a strategic manufacturing site for epoxy resins going forward.

Turning to the next slide; in our forest products resin segment, fourth quarter 2015 sales totaled \$346 million, a 21% decline from the prior year with negative currency translation of 9%, lower volumes of 8% and price mix headwinds of 4%. Segment EBITDA declined by \$13 million or 20% and reflected currency headwinds, unplanned formaldehyde customer outages, weaker triazine demand and softness in Latin America. Excluding the negative \$9 million currency impact, segment EBITDA declined by 6%.

Regarding our balance sheet if you turn to page 13, our cash plus borrowing availability under our credit facility was \$587 million at yearend. In 2015, we also drove \$213 million in cash flow from operations compared to our use of operating cash of \$50 million in 2014. Our 2015 capital expenditure investment totaled \$179 million. In 2016, we expect our CapEx to be lower and return to more historical level now that our forest product expansions are largely complete.

Our net working capital totaled \$372 million as of December 31st, down significantly on the prior year. Throughout 2015, favorable net working capital trends reflected foreign currency translation benefit driven by the strengthening of the U.S. dollar, lower raw material input costs, and

improvements in working capital efficiency. We expect an increase in net working capital in 2016 with an increase in the first half of the year and a decrease in the second half, which is consistent with historical trends.

I'll now turn the call back to Craig to wrap up.

Craig Morrison - Hexion Inc. - Chairman, President, CEO

Thanks, George. Turning to slide 14; in summary, while our fourth quarter 2015 results declined year-over-year, we drove gain of 11% for the full year on a constant currency basis. We also continued to position Hexion for long-term success for our strategic investments with our Geismar formaldehyde site representing the latest addition. When our third site comes online later this month, we will have completed the major expansion phase on-time and on-budget as planned.

We continue to balance our growth investments with fine-tuning our global footprint and reducing SG&A wherever possible. We have expanded our structural cost savings program by \$35 million, and \$43 million of structural cost saving remain in process as of December 31, 2015.

As a component of the program, our Norco site rationalization will create an incremental \$20 million of productivity within the base epoxy resins business. In closing the liquidity of \$587 million, we continue to prudently manage our balance sheet.

Let me now turn it over to the operator for any questions that you might have. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Roger Spitz from Bank of America.

Roger Spitz - Bank of America Merrill Lynch - Analyst

Yes. Starting with base epoxies, can you describe how that business did in Q4 versus Q3; was it up, sideways, seasonally down?

Craig Morrison - Hexion Inc. - Chairman, President, CEO

Yes, base epoxy is almost always seasonal for us in the fourth quarter driven by a couple of factors. You do have just weakening demand in general which is not unusual in the fourth quarter. But we also have higher cost because we tend to do turnarounds in the fourth quarter as well from an operating standpoint.

So it was in line with what we would expect with previous fourth quarters and fourth quarters are not necessary indicative of what we expect in the first quarter, which is usually a return to strengthening which we're seeing as we go into the first quarter of this year.

Roger Spitz - Bank of America Merrill Lynch - Analyst

And if you can think about full year base epoxies for 2015, and where it has been sitting versus your higher trough-peak, can you give any qualitative view of, is it, you know, 25% off the trough, halfway between trough-peak, any qualitative guidance about -



Craig Morrison - Hexion Inc. - Chairman, President, CEO

2015 was definitely a stronger year for us in base epoxy resins. It was significantly stronger than the prior year. It's still well below historical peaks. As you know, it can be a very volatile product line, so we did have some very high peaks a few years back in 2010 and 2011. So it's not anywhere close to those but it is a significant improvement over 2014.

Roger Spitz - Bank of America Merrill Lynch - Analyst

And if you were to hypothetically refinance the [8-7/8 to 1-1/2] liens potentially with first lien capacity, can you say under your other indentures and debt instruments how much you can theoretically refinance at the first lien level?

George Knight - Hexion Inc. - EVP, CFO

Yes, Roger, we're not going to update that as of this point.

Roger Spitz - Bank of America Merrill Lynch - Analyst

And lastly for me; regarding Norco, back in 2004, it was disclosed you had 90,000 metric tons of crude epi and allyl chloride capacity as well as 25,000 net tons of SER solutions and other capacity.

In terms of the crude epi and allyl chloride, had that capacity changed over time? I mean I suspect not. And how does it work? Usually, epi plants that you see around the world I think are the crude and I guess called finished epi is in one facility. Were you moving all the crude epi to Deer Park and finishing up there and then going into LER or how does that work? You know, are you buying now crude epis from a third party?

Craig Morrison - Hexion Inc. - Chairman, President, CEO

Yes. We are buying epis from a third party essentially shutting down the production capability there related to that as well as moving anything further downstream to other facilities to continue production of our specialty product lines. That's about what we'll say about that.

Roger Spitz - Bank of America Merrill Lynch - Analyst

So are you producing any epi at Deer Park? I think you had then, maybe not anymore now.

Craig Morrison - Hexion Inc. - Chairman, President, CEO

No, we're going with third party contracts that are already lined up.

Operator

Bill Hoffman from RBC Capital Markets.

Bill Hoffman - RBC Capital Markets - Analyst

Craig, can you just talk a little bit just further on Roger's question? You know, can you just talk about what level of integration you are now with like what the size of the intermediate businesses in the epoxies business?



Craig Morrison - Hexion Inc. - Chairman, President, CEO

Well, we're fully integrated in terms of capable of producing what we need from an LER standpoint. It's a matter of producing less in product to sell in the third party market. So, in terms of our own needs, we're fully capable of producing and we're looking to reduce our exposure to the third party market as well as trying to put a larger market in more of a balanced demand situation.

Bill Hoffman - RBC Capital Markets - Analyst

I'm just trying to get a sense of how much third party sales we expect going forward after Norco closure.

Craig Morrison - Hexion Inc. - Chairman, President, CEO

Yes, we don't disclose or discuss that.

Bill Hoffman - RBC Capital Markets - Analyst

And then on the forest product side, the 8% volume decline, can you just talk a little bit about what's going on there, was that just sort of one-time in nature because of customer outages and/or is there any share shifting going on there?

Craig Morrison - Hexion Inc. - Chairman, President, CEO

Yes, there are a number of drivers when you look at forest products. One is in formaldehyde, that's a large volume producer for us and we have a significant triazine business related to oilfield that just like our other oilfield business and everybody's oilfield business is significantly down, so that's one driver.

A second factor is we did have some customers that took outages for normal plant purposes on more traditional formaldehyde solution base products. That also affected us. And then a third factor was Latin America is definitely feeling the downturn that - I was just in Latin America last week, and as you're all familiar with, it's a rather challenging environment because largely, our business down there is Brazilian-based, so that also contributed to weakening.

Bill Hoffman - RBC Capital Markets - Analyst

So as we look forward, it sounds like triazine obviously is not coming back, Latin America doesn't feel like coming back, so the customer outages piece of it is would be the only component. Any sense of how did that 8% volume drop that represents?

Craig Morrison - Hexion Inc. - Chairman, President, CEO

Yes, I mean I think as you hit the 2015 and you move into 2016, I would agree with your statement. I think Latin America will start to see a slow crawl out in 2017. Remember, the economies while we were down there.

I think likewise, oilfield, we can see a slight strengthening but we're certainly not seeing the demand come back yet, but eventually it will. So you're right, the solutions-based business we think will be a nice growth factor for us as well we do think the dynamics behind housing in North America are favorable when you look at last year being about 1.1 housing starts, the last 30-year average about 1.5. So that will start to continue to recover. There are some positive factors but you're right, when you look in 2016, two of the factors, triazine and Latin America, we wouldn't expect to recover in 2016.



Bill Hoffman - *RBC Capital Markets - Analyst*

And then just giving, George, just a question for you on the working capital. Obviously, with the oil pressure bouncing a little bit here we'd expect to see - and you mentioned that you have a bit of an increase in working capital; any thoughts on quantifying that at this point?

George Knight - *Hexion Inc. - EVP, CFO*

Yes. I think volumes will drive a slight increase. We don't expect it to be substantial.

Operator

Robin Russell from Onex. You may begin.

Robin Russell - *Onex Credit Partners - Analyst*

I had two questions. With respect to the cost savings, you kind of broke it down onto three categories, the Norco, Germany and then other SG&A. Just taking them one by one, the \$20 million from Norco, would you expect basically since this is going to be finished by June of this year that really the \$20 million run rate will occur in Q3 and Q4?

And then similar to Germany, when does that hit, and how should then on the other SG&A, how should we think about the remaining \$6 million there?

George Knight - *Hexion Inc. - EVP, CFO*

Yes. So, as part of the Norco piece, we expect to realize about \$10 million of the \$20 million in 2016.

Robin Russell - *Onex Credit Partners - Analyst*

And then what about the remaining \$15 million, Germany and then the other SG&A?

George Knight - *Hexion Inc. - EVP, CFO*

Germany, we'll see most of that coming in 2017. And then the SG&A, I believe there is like four or five hitting in 2016 and then the rest of the 2017.

Robin Russell - *Onex Credit Partners - Analyst*

And then just with respect - I know you guys show a lot of - you talked about year-over-year changes. I think a lot of us tend to think of sequential changes. So when I'm looking at the epoxy EBITDA, Q3 EBITDA was \$92 million, Q4 EBITDA was \$40 million. Could you help us bridge that \$50 million in terms of FX seasonality, profits and other just so that we can get a better sense?

George Knight - *Hexion Inc. - EVP, CFO*

Yes. I mean we don't talk about, you know, specific numbers by B.U. but, you know, as Craig talked about BERI seasonably slow in the fourth quarter, so we did see, you know, a part of the decrease, you know, related to the change in BERI there.



Also, you know, I think also in some of other businesses, again, from a seasonality standpoint, specialty epoxy and Versatic were very strong year on year. Sequentially, we did see a drop in the fourth quarter which we normally see.

Operator

Richard Gus from Jefferies.

Richard Gus - Jefferies - Analyst

So my first question for you is could you give us a sense for what the magnitudes of the declines were on a year-over-year basis in triazine business?

Craig Morrison - Hexion Inc. - Chairman, President, CEO

You know, we don't disclose specific businesses. You know, in general, you could think of oilfield was still respectable on a year-over-year prior year basis and hadn't really fallen off. So it would still be a significant difference on a year-over-year basis; it was after the first quarter that we're really starting to see an accelerated decline in profitability in oilfield.

Richard Gus - Jefferies - Analyst

So maybe another quarter of some tough comps in that business then at least.

Craig Morrison - Hexion Inc. - Chairman, President, CEO

Yes. It started in the second quarter but it took a little time to reach its full trough condition.

Richard Gus - Jefferies - Analyst

And then with regards to the profit business, as you see that on a sequential basis, have you seen signs of stabilization or with, you know, oil kind of falling down to a little bit lower trough and then rebounding here, you maybe saw a little bit more of a step-down?

Craig Morrison - Hexion Inc. - Chairman, President, CEO

You know, I think we're starting to reach a more of a stable trough condition. We're not starting to see, although the price is starting to come back a little bit, we're not starting to see the demand come back yet, but I would say we're starting to see more of a stabilized trough sort of situation perhaps still characterizing it as trough.

Richard Gus - Jefferies - Analyst

And then lastly, for me, with regards to the Brazilian plant there on the FM side; do you still expect the same level of profitability out of that facility given what's going on down there or is that something where the profitability there would be curtailed as well?

Craig Morrison - Hexion Inc. - Chairman, President, CEO

You know, I think as we look medium to long term, we still see it very much as delivering the profitability that we originally intended. But in the short term, it will not deliver. I think, you know, you might be looking at a year to 18 months before there's really demand that would start to fill that capacity.

I would say it would slide a year to a year and a half before you're starting to see that required and delivering it to be a profit for us. But in the medium to long term, we're taking -- continue to deliver the results.

Operator

Brian Lalli from Barclays.

Brian Lalli - Barclays - Analyst

If I could start first on the CapEx line; you obviously didn't give specific guidance and you're guiding towards being lower year-over-year. Is it possible for you to layout for us what is contractually committed at this point and what might be flexible? I'm just trying to get a sense of where the flex is and that number and why, you know, maybe you're not firm on this sort of number at this point?

George Knight - Hexion Inc. - EVP, CFO

You know, I mean I think, you know, historically, we've said our maintenance CapEx has been \$100 million range. And if you go back to prior to some completing the formaldehyde plant on average, our CapEx average about between \$140 million and \$150 million per year.

Brian Lalli - Barclays - Analyst

I just want to make sure we're framing it up the right way. It looks like on - second question, on buybacks, it looks like you used just over \$60 million of cash to buyback - I think it's around \$88 million of your 1.5 lien notes.

And I guess my question is this, your current cash and liquidity and then given, you know, George's comments on working capital being a small use in 2015, but especially a use from the first half of 2016.

Could you maybe refresh for us what sort of is the real minimum cash in the business and how that might fit with any intentions on buybacks in the future? I mean at what point you start to get to, you know, it's good and it's attractive but you don't want to dip too far into your liquidity balance?

George Knight - Hexion Inc. - EVP, CFO

Sure. We've operated at different liquidity levels over the years. I think as far as, you know, minimum level, probably be in the, you know, \$150 million to \$200 million range depending again on what we think is going to happen in working capital, because as you said, we do expect a normal increase in the first half of 2016 consistent with prior years.

Brian Lalli - Barclays - Analyst

And that's the total liquidity? I mean, you'd be applying using your ABL for some of that if you need - again, just trying to gather how much of it you want maybe unrestricted cash.



George Knight - *Hexion Inc. - EVP, CFO*

Yes. You know, we've - again, we've used our ABL in the past and, you know, as we move forward, if there is working capital swings, that would be part of our equation, part of our liquidity.

Brian Lalli - *Barclays - Analyst*

And then one last one from me, to follow up to one of Roger's questions, I'll come out of it in a different way just on the first lien capacity. I think when you had issued the \$315 million, I believe under the existing 1.5 lien indenture, you were effectively tapped out and then I think you said that - or I believe you said in public forums that absent that indenture, you have something around \$500 million of capacity.

I guess the question is, is there any reason that that changed, any reason that that view is any different versus what we've said in the past, or has anything changed?

George Knight - *Hexion Inc. - EVP, CFO*

Yes. I mean as we said, we haven't updated any of that guidance.

Operator

Karl Blunden from Goldman Sachs.

Derek Chan - *Goldman Sachs - Analyst*

This is Derek Chan on for Karl. Just to follow up on Richard's question there on the Brazilian plants; my understanding was that the new plants had contractually locked in volumes and margins. So has something changed on that side that you now believe that you'll get to a normalized demand level and expect profitability in 18 months' time and not necessarily in the near term?

Craig Morrison - *Hexion Inc. - Chairman, President, CEO*

That plant was contractually locked in with a specific customer, a very large customer. Their demand has dropped off, so you could argue, it doesn't matter whether you look at all the incremental still there because they started up in plant.

But if the total, you know, [C falls], you don't need all the capacity we would have brought online, so it's just a matter of we're not going to bring on incremental capacity when we have enough already in the system. And essentially, the total demand in Brazil has dropped enough that we don't need that right now but we'll in the future.

Derek Chan - *Goldman Sachs - Analyst*

So are you saying that you are going to be serving that particular customer out of the gate -

Craig Morrison - *Hexion Inc. - Chairman, President, CEO*

Yes. I mean if the plant that we have is actually part of an existing plant that was installed in the next level of capacity, it's in our [Kurativa] site. So yes, we have adequate capacity that we don't need all of that, and therefore the new plant, in essence, the equal amount of capacity is not required.



Derek Chan - Goldman Sachs - Analyst

I believe you bought back about \$88 million of the 8-7/8 during the quarter. Could you just confirm that, but also quantify how the amount that you spent on those buybacks, so in other words the average dollar price?

George Knight - Hexion Inc. - EVP, CFO

Sure. So yes, we did buy back face value of the \$88 million, \$89 million in the fourth quarter there. So the full amount for the year, we spent \$160 million for face-value of about \$203 million.

Operator

Dustin Shapir from Oak Hill.

Dustin Shapir - Oak Hill - Analyst

You mentioned on previous calls your sales in base epoxy in 2014 were \$580 million. Can you give us what the number was in 2015?

George Knight - Hexion Inc. - EVP, CFO

Sales for base epoxy in 2015?

Dustin Shapir - Oak Hill - Analyst

Exactly, versus the \$580 million you gave for 2014.

George Knight - Hexion Inc. - EVP, CFO

Yes. It was in approximately \$450 million.

Dustin Shapir - Oak Hill - Analyst

And then I know in the past, you also disclosed wind energy being all that in China was 8% of 2014 sales. Can you give us what the number was in 2015?

George Knight - Hexion Inc. - EVP, CFO

No, we're not disclosing that at this time.

Dustin Shapir - Oak Hill - Analyst

Was that down or up? And do you expect it to be down or up in 2016?



George Knight - *Hexion Inc. - EVP, CFO*

It was up significantly, and right now would be trending on a relatively flay year-over-year.

Dustin Shapir - *Oak Hill - Analyst*

And can you just tell us in your profit business in 2015 from a sales standpoint, what percent were those sales down?

George Knight - *Hexion Inc. - EVP, CFO*

Yes, we don't disclose that.

Dustin Shapir - *Oak Hill - Analyst*

And how about energy, how about total exposure to energy, I mean over 12% in 2014, you disclosed that last year, are you disclosing that number for 2015?

George Knight - *Hexion Inc. - EVP, CFO*

No. It's just down substantially year-on-year as you would expect.

Dustin Shapir - *Oak Hill - Analyst*

It was like a 6% number?

George Knight - *Hexion Inc. - EVP, CFO*

Are you talking about total energy being wind energy -

Dustin Shapir - *Oak Hill - Analyst*

Yes.

George Knight - *Hexion Inc. - EVP, CFO*

-- oil and gas?

Dustin Shapir - *Oak Hill - Analyst*

No, I would like oil and gas and I would like profits, but I'm just going at the pie chart you have given numerous times for 2014. I'm just trying to understand what that number was in 2015.

George Knight - *Hexion Inc. - EVP, CFO*

Yes. You know, I think as you said, it would be probably about half, a little bit more than half of what it was in 2014.

Dustin Shapir - Oak Hill - Analyst

And then on the last call you confirmed that the renewed formaldehyde plant will contribute \$32 million to \$35 million. Can you give us the number of what those plants will contribute this year and your [expectation] for 2017 as well based off of that number?

George Knight - Hexion Inc. - EVP, CFO

Yes. I think we said previously we would get about \$20 million of the amount in 2016. I've given some of the comments on Latin America. We think it will be less than that in 2016.

Craig Morrison - Hexion Inc. - Chairman, President, CEO

Yes. If I had to take an estimate, I think about \$15 million in 2016 and \$20 million in 2017 with the big delta being Latin America in 2017.

Dustin Shapir - Oak Hill - Analyst

And then will 2018 get back to that \$32 million or \$35 million or you just think that number is -

George Knight - Hexion Inc. - EVP, CFO

I don't think it will get totally back to that. You're getting far enough, you're trying to project what the Brazilian economy will come back at. But that will be the big GAAP item, will be the Brazilian economy.

Dustin Shapir - Oak Hill - Analyst

And that's in construction I imagine. And then one -

Craig Morrison - Hexion Inc. - Chairman, President, CEO

It's largely for us to - with base products is the biggest consumer from the formaldehyde standpoint. So it's still favorable because they are exporting more to offset a shortage of domestic demand. So I think it will just take time for that economy to rebound and ability for them to increase their exports, but they do have favorable FX, and they do produce high quality product down there.

Dustin Shapir - Oak Hill - Analyst

And then in the USA, how does housing feel today?

Craig Morrison - Hexion Inc. - Chairman, President, CEO

I think we're still expecting continued rebound and our estimate last year was around 1.1. This year, we think it will be somewhere between 1.2 and 1.25 I don't know of any reason to believe it would be different than that.

Dustin Shapir - Oak Hill - Analyst

So the spring selling [piece], then, is positive from your standpoint?

Craig Morrison - Hexion Inc. - Chairman, President, CEO

Yes. I mean, it can always vary on a month over month basis but the general dynamics - and again, you've got to remember, the average over the last 30 years, as I said earlier, is 1.5, so we're still significantly below that at 1.2. But we still think it will continue to recover as do the experts.

Dustin Shapir - Oak Hill - Analyst

Are you going to give back any of your material savings in 2016 that we should expect?

Craig Morrison - Hexion Inc. - Chairman, President, CEO

Well, I think that's always a pressure that you're always trying to combat with having valuated process and stuff but it's really a product line by product line discussion and specific dynamics within end use markets or specific dynamics within supply and demand as to where you have the leverage that will take that. We would consider it to be a similar environment to what we saw in 2015 now.

Operator

And we have no further questions in the queue. I'd like to turn the call back over to John Kompka for your closing and final remark.

Craig Morrison - Hexion Inc. - Chairman, President, CEO

Yes. Hi, this is Craig Morrison. I just want to thank you for your participation in the call today and we look forward to speaking with you on the next quarterly call. Thank you very much.

Operator

And ladies and gentlemen, this concludes your presentation. You may now disconnect. Enjoy your day.

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