OVERVIEW:
EMN reported full year 2020 results. Co. expects 2021 adjusted EPS to increase 20-30% vs. 2020 and expects 1Q21 adjusted EPS to be similar to 1Q20.
Good day, everyone, and welcome to the Fourth Quarter Full Year 2020 Eastman Chemical Conference Call. Today's conference is being recorded. This call is being broadcast live on the Eastman website, www.eastman.com.

We will now turn the call over to Mr. Greg Riddle of Eastman Chemical Company Investor Relations. Please go ahead, sir.

Okay. Thank you, Cecilia, and good morning, everyone, and thank you for joining us. On the call with me today are Mark Costa, Board Chair and CEO; Willie McLain, Senior Vice President and CFO; and Jake LaRoe, Manager, Investor Relations.

Yesterday after market close, in addition to our fourth quarter and full year 2020 financial results news release and SEC 8-K filing, we posted slides and related prepared remarks in the Investors section of our website, www.eastman.com.

Before we begin, I'll cover 2 items. First, during this presentation, you will hear certain forward-looking statements concerning our plans and expectations. Actual events or results could differ materially. Certain factors related to future expectations are or will be detailed in the fourth quarter and full year 2020 financial results news release. During this call, in the proceeding slides and prepared remarks and in our filings with the Securities and Exchange Commission, including the Form 10-Q filed for third quarter 2020 and the Form 10-Q to be filed for third quarter 2020.
Second, earnings referenced in this presentation exclude certain noncore and unusual items. Reconciliations to the most directly comparable GAAP financial measures and other associated disclosures, including a description of the excluded and adjusted items, are available in the fourth quarter and full year 2020 financial results news release, which can be found on our website.

With that, I'll turn the call over to Mark.

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

Good morning, and thanks, Greg. Before we answer your questions, I want to take a few minutes to make some comments.

We've had a strong recovery in the fourth quarter and robust performance for the full year despite the challenges associated with COVID-19. I'm incredibly proud of how Eastman employees around the world responded to these challenges and stepped up to help us deliver in 2020.

And here are some of the highlights. Early in the year, we took quick and decisive action to adjust our operations to keep employees safe and preserve our operational integrity. We shifted our financial forecast of prioritizing cash and liquidity, given the uncertainties, and we delivered another year of outstanding cash flow, our fourth consecutive year of cash flow greater than $1 billion.

While we prioritized cash, our earnings performance was resilient, which is a testament to the tremendous investments we've made in our innovation portfolio and our overall business portfolio over the last decade, including enhancing our market development and commercial capabilities. Additionally, we demonstrated we have diverse portfolio of businesses and end markets, which gives us stability.

As you know, we are committed to being a leader in the circular economy. We've accelerated progress, and it's paying off with several wins across our portfolio, including Eastman being named as a Wall Street Journal Most Sustainably Managed Company of 2020. In addition, in our 2020 sustainability report, we committed to the ambitious goals of reducing our scope 1 and 2 greenhouse gas emissions by 1/3 by 2030 and achieving carbon neutrality by 2050.

Looking forward to 2021, we entered this year with momentum from our record fourth quarter results, and we're seeing clear signs of recovery across many of our markets, including strong orders in January. That said, visibility remains limited due to the continuing effects of COVID-19. This means that we will continue to focus on what we can control.

In 2020, we meaningfully reduced capacity utilization as we aggressively managed inventory well beyond the decline in demand to maximize cash. As a result, EBIT declined by about $100 million just related to this additional inventory actions we took. If volume is flat in ’21 compared with ’20, we would have about $100 million tailwind from this improved utilization as we go into this year or about $0.60 a share.

Looking at our cost structure, you'll recall that we reduced cost by approximately $150 million in 2020 versus ’19, and we estimate about $100 million of this was temporary. We also took actions to accelerate our transformation program, and we are on track to reduce costs in 2021 to offset the return of those temporary costs. As a result, in 2021, we expect our cost structure to be about flat when we compare it to 2020.

On top line growth, we expect growth from 3 levers. First, we anticipate market to continue to improve relative to 2020 as we have seen in Q4 and in January. Second, we continue to make progress with our innovation-driven growth model to grow faster than our underlying markets in many of our specialty products. There are a number of examples of this across our portfolio in 2020, and we expect it to continue in ’21.

Third, we project a strong improvement in mix with recovery in these high-value markets and the innovation-driven growth of our premium products. A significant portion of our headwinds in 2019 with the trade war as well as 2020 with COVID-19 were related to mix. As growth in our specialty products accelerates in ’21, improved mix will be a powerful driver of our earnings growth. We’ve already seen this benefit in Q4 of ‘20 and expect it to accelerate through ’21.

There are also headwinds, including the lack of visibility related to COVID-19 and other global macroeconomic uncertainties. In addition, we're seeing costs for raw materials, energy and logistics rising and have competitive pressures in a few products. When we put this together, we expect...
our ‘21 adjusted EPS will increase between 20% and 30% compared to 2020. This means our expected ‘21 EPS will be well above 2019, which would further demonstrate the strength of our portfolio.

We anticipate a strong start to 2021 with adjusted EPS similar to the first quarter of ‘20. You'll recall in the first quarter of 2020, our EPS was up 15% year-over-year, a very strong performance for our industry at that time. Finally, on cash, a high priority for Eastman, we expect ‘21 to be our fifth consecutive year of free cash flow above $1 billion.

A moment ago, I talked about our intention to be a leader in the circular economy. And as part of that commitment, today, we're announcing, along with Tennessee Governor Bill Lee, our plan to build one of the world’s largest methanolsis facilities here in Kingsport. Through methanolsis, this world-scale facility will convert waste plastic, polyester plastic that often ends up in landfill and waterways into durable products. Over the next 2 years, Eastman will invest approximately $250 million in the facility, which will support Eastman’s commitment to addressing the global waste crisis and mitigating challenges created by climate change, while also creating value for shareholders.

Using the company’s polyester renewal technologies, this new facility will use 110 KMT of plastic waste to produce premium, high-quality specialty plastics made with recycled content. This will not only reduce the company's use of fossil fuels feedstocks, but it will also reduce our greenhouse gas emissions by 20% to 30%. This is incredibly exciting news, and we're only just beginning.

I'll close where I began with appreciation for the men and women of Eastman that make all of this happen and do it with a bias for action, adaptability and optimism for the future. I share their optimism. This is an exciting time for Eastman. Our strengths have never been clearer, and it gives me the confidence that we are well positioned to manage in this uncertain environment and deliver long-term attractive earnings growth and sustainable value creation for our owners and all of our stakeholders.

With that, I'll turn it back to Greg.

Gregory A. Riddle - Eastman Chemical Company - VP of IR & Communications

Thank you, Mark. Cecilia, we are now ready for questions.

**QUESTIONS AND ANSWERS**

Operator

(Operator Instructions) We will now take our first question from Vincent Andrews from Morgan Stanley.

Vincent Andrews - Morgan Stanley, Research Division - MD

Mark, wondering if you could just talk a little bit about the molecular recycling plan. I can't pronounce methyl, whatever it is. Just help us understand, it sounds like you're saying this is going to be the world's largest, but what is the scalability of these in terms of how much larger could it be? Where do you -- where are you in terms of customer demand in terms of filling it out? And in the script, you talked a little bit about there being clear evidence of willingness to pay price premiums for renewable products. How are you going to be pricing this product? Maybe you could just start there.

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

Sure, Vincent. And it's methanolsis. So it's a technology that's been around for a long time. Kodak developed it decades ago to recycle actually polyester x-ray material, and then they learned and saw the opportunity to take municipal waste and broaden the operating capability of this technology back then. And it's something that I actually wanted to start in 2010.
We actually had the plans on the -- and developing the engineering of it at that time, but the market wasn’t ready for it. We’re really excited because the market is very much ready for it now. Climate, circularity, sustainability is obviously becoming incredible priority around the world. Even with COVID, it’s just become stronger, not less. And so we think we’re in a great position to be a leader here. When you think about the technology and the opportunity that it has from a market point of view, it’s tremendous around a wide range of specialty plastic businesses from hydration to consumer durables, to electronics, ophthalmics, et cetera, to a wide range of markets.

A lot of customers are very interested in this as they are making aggressive commitments to improve the recycled content. And so there’s just a lot of engagement. We have over 100 customer trials going on right now across a wide range of different applications. So the ability to grow is there. We’ve already seen great success in launch with CamelBak and Nalgene, where they’ve put in our recycled content into our Tritan Renew, and you’ll see a lot more announcements as we go through this quarter. So the demand is there.

From a value point of view, as we showed you on the chart, retail products are commanding a premium for recycled content and sustainability. PET, food-grade PET is trading at a substantially higher premium in Europe as people are trying to work towards their recycled content goals. And I think customers recognize that there has to be some amount of premium that we have to achieve to make these kind of investments to solve such a serious challenge we face around the world. Obviously, everyone wants to keep this as affordable as possible. And so we don’t expect our premiums to be significant, but sufficient to give us an attractive return. But our primary goal of getting return is on the growth in this business.

And we’re able to load this plant really fast as another advantage on the economic side because we can take a balance of slowly growing the specialty conversions like we do in any specialty product, but fill in the rest of capacity with PET into the packaging market where there’s strong demand and then just keep on valuing that up over time. So the economics here are quite attractive.

So a lot of different ways to sort of win in both existing applications through premiums and accelerated growth, getting into new applications like electronics and automotive as some key examples. And our scale and integration gives us a huge advantage in how we can do this. We’ve got some significant advantages in how we can manage our feedstocks.

Vincent Andrews  - Morgan Stanley, Research Division  - MD

And just as a follow-up, the $600 million of revenue, does that -- is that just sort of assuming from this plant? Or is that assuming additional capacity down the road?

Mark J. Costa  - Eastman Chemical Company  - Chairman & CEO

Right. You asked about the scalability of this and additional plants, sorry, Vincent. So to be clear, the $600 million of new business from innovation is for the total corporation of all of our products, not just methanolysis. When you think about methanolysis and we look at it as a stand-alone opportunity, both the polyester revenue -- the polyester renewal technology and the carbonyl technology combined, we think, is between $500 million and $1 billion revenue platform for the company. Obviously, that doesn’t happen in 1 year. It takes years to build that out. But a very substantial platform, frankly, the biggest platform after Tritan before this, and this would be the 2 biggest platforms we have.

And that doesn’t include scalability. So that’s building plants to serve the demand that we think we can make with our specialty products. We also think this is scalable in partnerships with other people around the world who are very interested in recycled content for their needs and are pursuing a business model around how we scale this into multiple plants around the world focused on doing the methanolysis. It’s very scalable to build these plants and economic, and there’s an advantage to having them in different regions. So we think there’s whole another vector of growth on top of this. But it’s early days, so I don’t want to get ahead of ourselves on that.

Operator

We will now take our next question from Jeff Zekauskas from JPMorgan.
Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

My first question is, you talked about $100 million cost penalty from lower utilization, but wasn’t the cost penalty $200 million? Why doesn’t $200 million come back in 2021?

William Thomas McLain - Eastman Chemical Company - CFO & Senior VP

Jeff, this is Willie. First, what we would highlight is the $100 million that we’re highlighting as a tailwind is specifically related to the $300 million of inventory reduction actions that we took in 2020, and you can clearly see the impact of that in our cash flow. The other $100 million is we think about utilization versus volume mix, and you can combine those 2 together. So fundamentally, the lower utilization and volume mix net together with the other $100 million.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

Okay. And in your methanolysis facility, why don’t you just buy methanol? Why do you have to make methanol?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

Jeff, it’s not -- we’re not making methanol. So I don’t know where they came up with the name of the technology. But what you basically do is you take polyester waste and you use methanol and a modest amount of energy to convert that waste or unzip the polyester basically back into its intermediates of DMT and EG and other monomers and purify it. So it’s actually an input not an output to the process to depolymerize the molecule. So that’s sort of how it works. And it’s far more energy-efficient than the fossil fuel process. So while it takes a bit of energy in methanol, it’s a lot less than sort of pulling oil out of the ground and all the steps to get it to being DMT and EG. So we’re 20% to 30% better carbon footprint by doing this technology.

And I think that’s an important thing we want to emphasize is, any technologies we do around recycling, we believe there are 2 fundamental goals you have to meet at the same time. We have a plastic waste crisis. We need to address it, and we shouldn’t be wasting any of that carbon in the environment or letting it impact the environment. But at the same time, we got to make sure our carbon footprint is better. Otherwise, we’re really not improving the overall environment. So every technology we’re looking at has a better carbon footprint than the fossil fuel process. That’s true of methanolysis. Our CRT also 20% to 50% better depending on the feedstock. So we’re addressing both our climate impact with process innovation as well as solving a waste crisis.

Jeffrey John Zekauskas - JPMorgan Chase & Co, Research Division - Senior Analyst

So you’re buying the methanol, is that it?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

Well, we make our own methanol and buy some methanol. It’s a mixed bag, as you know, from the broad portfolio of products we make.

Operator

We will now take our next question from John Roberts from UBS.
John Ezekiel E. Roberts - UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals

You talked about a 5% revenue headwind in chemical intermediates in 2021 from the changes that you made at the Singapore oxos facility. That seems really big. I didn't realize that facility maybe was as big as it was. Or is it a significant shutdown or closure you've done there?

William Thomas McLain - Eastman Chemical Company - CFO & Senior VP

Yes. Thanks, John. To your point, as we've made the decisions to, I'll call it, cease the operations at our Singapore site, fundamentally, it was based on the raw material positions that we have at that facility in Singapore. And roughly, it is a world-scale equivalent of an oxo facility. It's about 1/5 the size of what we have in Longview, but still significant from a volume output.

The key factor, as we think about 2021 and going forward, is, overall, that will give us an opportunity to, I'll call it, continue to debottleneck our facilities in Texas, where we have a much better cost position. And from a fixed cost structure standpoint, we expect to improve earnings by about $25 million on a go-forward basis.

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

But this is an action we wanted to take for a while. It's not a profitable position to be with our cost structure that we had in Singapore, but we had to wait until the contracts expired to be able to shut it down on the supply side. And so while the volume is going to be down, the earnings are going to be meaningfully up around $20 million, $25 million net-net by taking this action. So we've always warned you that CI has a lot of volume volatility to it because of shutdowns or just planned maintenance shutdowns or this. It's really dangerous to look at volumes in that section. You need to just focus on the earnings.

Operator

We will now take our next question from Matthew DeYoe from Bank of America.

Matthew Porter DeYoe - BofA Merrill Lynch, Research Division - VP

Can you just speak a little bit to the confidence in securing feedstock for the methanolysis plant? U.S. garbage infrastructure isn't typically geared to moving product inland to Tennessee. So how do you -- what's your workaround there?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

Sure. It's a great question. It's one of the strangest questions. When you think about the plastic waste crisis that I think everyone can agree needs to be addressed and there's so much of it out there. And yet, one of the biggest challenges for any of these investments is actually getting it delivered to your site, which is very confusing, but a true challenge and a question.

So we have a lot of partnerships we've developed to supply us with waste. And we have some very unique advantages around how we can handle waste. Because the combination of the PRT using polyester and the CRT being able to use mixed plastic of a wide spectrum as we sort of repurpose our gas fire to reform plastic at the same site, we can actually take a very mixed plastic stream that no one else really can manage because we can take this very low cost and more readily available mix plastic that doesn't require much separation and do that separation very efficiently here in a unique process we've developed and feed that then separated streaming in these 2 assets.

So it allows us to access waste more readily and at a much lower cost because it's lower value when it hasn't been separated. So that's one of the big pluses of the scale and integration that we benefit from here. Not to mention, our CapEx will be probably 10% less with some of the assets
what we use here. And so I think that's important and a real advantage. It still takes a lot of work, and we've been devoting the last 18 months in securing a wide range of sources.

The other long-term interesting opportunity that's going to come out of this, a lot of our customers, the big brands, both in textiles on the CRT as well as polyester on a variety of end markets are very interested in a take back program, right? So they want to truly have a circular loop where we go material to material. If they take back used products for them -- from their customers and can send it to us and then we can recycle it back into materials for their products.

So it's a true absolute closed loop. And so it will take a while for that to obviously develop, but I think for a number of brands, it's incredibly important. Patagonia is a great example, where they've been doing this for a while and fully endorsing molecular recycling as the only way they can actually close the loop. And you'll see some number of other customers making similar announcements.

Matthew Porter DeYoe - BofA Merrill Lynch, Research Division - VP

So it sounds like -- I mean, a lot of the press release talked about the PRT side of things, but it sounds like you were also going to do the carbylation kind of gasification of the fiber or the waste stream as well directly into the gasifier. Did I read that correct? Or is it really just the PRT that you're going to be pursuing?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

No, no, we're commercial in both now. So we're doing both now. We've just talked a lot about the CRT, which we call the carbon renewal technology. And basically, we're changing our technology, if you will, from gasification to reforming when you go from sort of coal to waste plastic and replacing that coal with the waste plastic with a carbon footprint that's sort of 20% to 50% lower. So it's a very compelling technology.

That goes into our textiles, our Naia fabrics that we're growing quite strongly as well as into some thermoplastics in the specialty plastics business and a new growth opportunity we see in AFP around foamed insulation that would be cellulosic based and very sustainable offering versus EPA. So a lot of different applications in CRT going on at the same level. That's part of that $500 million to $1 billion platform combined with the PRT. So a lot going on.

Operator

We will now take our next question from David Begleiter from Deutsche Bank.

David L. Begleiter - Deutsche Bank AG, Research Division - MD and Senior Research Analyst

Mark, on the '21 guidance, could you walk through the earnings bridge from '20 to '21? That would be helpful.

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

Sure. So I'd start with, as we said, what is it that we can control. Our fixed costs, as we said, are going to be neutral in '21 relative to '20. So we took $150 million out that were sort of temporary cost actions through last year. Many of those costs are coming back, especially on the operations. We're running our plants incredibly hard as we're trying to serve the demand that we've seen in the fourth quarter, and it's increasing in January. So that -- those costs are obviously coming back.

But there's still a lot of other costs of efficiency and structural costs or travel with COVID that is not going to come back, certainly not in the first quarter, but we would expect to start coming back through the year. So cost relatively flat on the fixed basis. As Willie just mentioned in a prior
answer, you've got this $100 million utilization tailwind just at 2020 volumes without volumes being greater than last year. I mean that's about -- so put all that together, that's $0.60 a share in just the sort of cost utilization side of things before you get the volume growth.

And then we've got volume growth in 3 categories. The first just being market recovery as we're seeing in the fourth quarter and January. And so that is -- we're presuming is going to continue through the rest of this year that the economy continues to recover and that COVID's not going to have some big negative impact. The second is innovation, creating our own growth, right? So a lot of growth that we had last year wasn't just what markets did, but how we created our own growth.

We had phenomenal success in performance films in a very down auto market for the year, yet their revenue was basically flat for the year, where they had strong growth year-over-year in the fourth quarter. And so that's a great example of innovation creating growth. Great success in acoustics and heads-up display creating growth in interlayers, Tritan delivering a lot of growth where specialty plastics actually grew earnings in total for 2020 over 2019. So a lot of things going well on the innovation side and a lot of traction developing in AFP like animal nutrition. So a lot of innovation.

It's important to remember that both of the markets that are coming back are high-value mix, like automotive and as well as the innovation having much higher margins than segment average. So there's a huge mix upgrade impact that isn't just about '19 to '20, but it goes all the way back to '18 when you think about -- first, we had a trade war that really hit some high-value markets for us and impacted earnings. Then we piled on a pandemic, and we see us recovering back to '19 volumes and mix and hopefully better than that. So that all helps.

There are some headwinds. Obviously, aviation is not recovering as well this year. And so that's still going to be probably a $30 million headwind in earnings relative to '19. And then we expect raw materials to go up, and there's some lag always in the specialties in catching up to raws. And we have the competitive pressure we've called out in tires and adhesives and acetyls. So a variety of different things going on there. But when you net it all out, it's a very attractive recovery in earnings.

I do want to emphasize though that 20%, 30% range is a genuine range. There is a lot of uncertainty. So while it's great to have growth in January, great to have the recovery in the fourth quarter, it's January. We've learned this lesson in '19 and '20 about what can happen through a year. And while we remain optimistic that these trends will continue we really don't know the impact of COVID and how it's going to impact the economies yet this year.

We certainly are seeing operational limitations about how demand is recovering, especially in logistics and getting products to our customers. So that's limiting us a bit here, certainly in the first quarter. And so there's just those things and factors you have to keep in mind when you think about this range. And I think it's reasonable to be a bit cautious as you start the year in this range, and we build the success through the year.

David L. Begleiter - Deutsche Bank AG, Research Division - MD and Senior Research Analyst

Got it. And Willie, just on the free cash flow guidance, can you walk through some of the components there? I assume we'll see a fairly big build in working capital in 2021.

William Thomas McLain - Eastman Chemical Company - CFO & Senior VP

Well, we've got a pretty simple bridge, David, for free cash flow, the '20. And actually, it doesn't include a big build on the working capital front. As I think through this, let me start at a high level, which is we expect cash earnings that's consistent with the 20% to 30% that Mark just walked you through. And also as business activity does pick up on the inventory front, we believe that we can offset that.

And what I would highlight is, as part of our transformational efforts, we're investing in advanced integrated business planning processes to enable us to keep the DQO on the inventory side intact and maintain the gains that we've been able to accomplish. And also, we continue to have our programs in AR and accounts payable to offset and continue to make progress on that front. So our base assumption is that working capital will be neutral in 2021. Even in an economic environment, that has momentum.
On the capital front, we do expect in 2021 that CapEx will be $500 million to $525 million. So at least $100 million to $125 million greater than prior year. And obviously, we expect to more than offset that with the cash earnings. So all in all, we've, I think, developed a track record that demonstrates that we can maintain cash flows greater than $1 billion in basically any environment. And our long-term focus is to continue to grow that and not just be at greater than $1 billion. But one, I'd also like to recognize how the Eastman team stepped up in 2020 to deliver that $1.1 billion of free cash flow. It took everyone and it took focus, and the team delivered.

Operator

We will now take our next question from Kevin McCarthy from Vertical Research Partners.

Kevin William McCarthy - Vertical Research Partners, LLC - Partner

Mark, I heard the comments regarding volume growth. You talked about market recovery and innovation, and it sounds like mix is going to be important as well. But is there a way you can help us better understand the level of volume growth that's embedded in your EPS guidance, looks like in the pandemic year, went down 5%. How should we think about the high end and the low end, whether it's an absolute level or relative to GDP or another macro metric? How would you have us process that?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

Kevin, from a kg point of view, I think you would think about our volume recoveries being similar to GDP, and then you get some leverage from mix. So as you look at this, you've got a variety of markets that are sort of still recovering relative to '20 that are going to have volumes up in a meaningful way like transportation or autos to be specific, not aviation. Even though aviation will be better this year, but not by much. So you've got markets like that, that are recovering. Textiles, we expect a very strong recovery. And so those will continue to drive value. And those are all very high value relative to corporate average when it comes to variable margins.

And then you've got other markets that are not going to grow as fast because they were really strong last year, like packaging and some hygiene applications and care chemicals. We still see them probably growing as opposed to going backward, but not by much, given the strength they had last year. So you can't sort of trade all markets the same way, obviously, as we look at all these different parts of our portfolio. But what's nice is the stability you get from this, right?

So these resilient markets that we were in provided a great stabilizer to the headwinds we saw in automotive last year, where our volume mix, as you noted, was only down 5%, which was quite good for our industry and quite stable because of all these different resilient end markets. And now this year, you're going to sort of have the reverse of that of some of these high-value markets that were impacted last year are going to do much better. And these resilient markets are not going to be a big driver of growth. So it's hard to give you a specific number because a lot of it anyhow that's driving the earnings is mix versus kgs, and I don't want to get into the breakdown of that.

Kevin William McCarthy - Vertical Research Partners, LLC - Partner

Okay. Second question I had related to methanolysis. My understanding is that you can use different sorts of waste streams such as old PET bottle resin and maybe polyester from carpet and so on. And so my question is what testing have you done already regarding the issue of variability of waste streams? And does it matter? In other words, if I'm unzipping it, as you say, into ethylene glycol and DMT, is it the case that the output is entirely fungible and the variability is a nonissue? Or do you have to go through customer approval processes, et cetera, as you implement the new process?
Sure. So let me sort of break this down into the operations part and then, as you just said, the customer qualification part. So the technology, methanolysis, is a pretty robust technology, and methanolysis as a process is not exactly novel. But when Kodak developed this process a long time ago, as I mentioned, when they switched from using a very consistent stream of polyester x-ray films to municipal waste, they discovered that it is challenging to manage a diverse waste stream that also can vary day-to-day based on the mix of plastic you’re getting in there.

And what’s great about this technology is it does not compete with mechanical recycling, right? So mechanical recycling, where you can do it, is a better answer. It has a very low carbon footprint, but it’s restricted to only using very clean feedstock. And most of what they do very clean and clear feedstock from bottles is really what they can handle. And even then they have problems with limitations to some degree on performance and the polymer degrades over time. So there’s a limitation to how long you can mechanically recycle plastic, period.

So molecular recycling like methanolysis is essential as a complement to mechanical with the feed -- with the raw material, the plastic, that they cannot use, it ends up in landfill and giving infinite life to plastic because we can constantly recycle this plastic with no degradation. So the key, though, is you have to have a lot of operating experience on how to manage this process. And it’s not the methanolysis stuff that’s hard. It’s the purification stuff that you just got at, Kevin, that requires a lot of capability experience and a lot of trade secrets that we’ve developed over the years on how to do this to make sure that the intermediates that come out of the plant are purified and basically identical to the ones based on fossil fuel.

So when we get to making the polymer, the polymer is exactly the same. There is no profile or impurities that is an issue. And that’s what’s so great about customer qualification is that they don’t have to -- they have to wrap their head around that it’s the same, and that’s tough for them to buy into given the process. But once we sort of walk them through the technical details, the great thing is they can just suddenly have recyclable content in their product because it is literally identical. It has the same quality, same performance, won't degrade over time in the recycle loop. So that’s what’s so compelling about this technology is it really is a long-term infinite solution, much more similar to aluminum.

Operator

We will now take our next question from Mike Sison from Wells Fargo.

Michael Joseph Sison - Wells Fargo Securities, LLC, Research Division - Senior Analyst

Nice end of the year there. One quick follow-up on the methanolysis facility. Are you going to be able to brand it like Tritan, meaning is there going to be a sort of a name or a labeling where a customer can sort of showcase that it’s used from recycling material, and if I wanted to go to Amazon or something and search for it, it would pop up?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

Yes, you can. We’ve tried to keep our core product brand names and add a recycled name to it. So Tritan Renew is actually the formal brand name, Mike. There will be Naia Renew in textiles and a series of other products. For cosmetic packaging, that’ll be Cristal Renew, et cetera. And those signify that there’s recycled content in it. Nalgene and CamelBak are marketing it that way already. So you can go look at those products. But, I think it’s important that we get some sort of identification of it. Every customer is different. Some customers -- a lot of customers switch to our product and don’t declare what it is. So it will be a mixed bag depending on how customers want to manage their marketing position on a shelf. We don’t mandate a certain approach.
Michael Joseph Sison - Wells Fargo Securities, LLC, Research Division - Senior Analyst

Got it. And then just in terms of Tritan overall, it does seem like the fundamental demand or growth rate for that business has gapped up over the last couple of years. Can you maybe give us a sense of what you think this business can grow over the next 3 to 5 years? And then when will you need to add some capacity to meet that growth?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

Yes. So Tritan has been a phenomenal success story over a decade now, right? It's just a business that has continually delivered strong performance and growth in a wide range of applications. It started out with hydration, where we have these reusable water bottles replacing single-use plastics. So one of the great things about our recycled content is it's going into durable products predominantly.

We got out of PET a long time ago. So I'm not trying to defend the PET business. I'm actually taking single-use plastic, I'm taking carpet, I'm taking textiles, a very wide range of supply on the raw materials and then turning them into durable products predominantly. And so it goes into a lot of consumer durable appliances, et cetera. We're now going into toys in a variety of different applications. So it's positioned in a lot of markets that already care about being BPA free and products being safe.

As one of our drivers, the performance is far superior to the competing plastics and its durability and resilience and how it holds up over time. And now we got recycled content that we can add in it. That just gives us one more level of differentiation. So we have a long runway of very attractive growth in this business. For when we need to add more capacity, we're still a couple of years out. You have to remember that in '18, we added a significant chunk of capacity in Tritan that we're certainly making progress in filling out, but we still have a few years before we have to add more capacity.

Operator

We will now take our next question from Frank Mitsch from Fermium Research.

Frank Joseph Mitsch - Fermium Research, LLC - Senior MD

You called out the biggest source of upside for the fourth quarter came from transportation ex aerospace. And obviously, you're continuing to see some issues on the tire additive side. So I was wondering if you could offer a little more granularity on how that played out for you with your various products, how it's starting out this year and what's your expectations as we progress through '21?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

You're talking about automotive, just to be clear?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

Correct. Correct.

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

Yes. So automotive, which I'll roll tires into as well, I mean, demand came back strongly across the automotive space, whether it's our interlayers, performance films logging in significant record earnings in the fourth quarter or tires demand actually coming back quite strongly in the third and fourth quarter. So demand's come back across the board in that sector as you can see from a lot of external reports.
We're advantaged that a lot of our products go into the luxury market, especially in Advanced Materials. So we benefited from that market, frankly, holding up a bit better last year than the overall market did and how that's continuing to accelerate for us. And then you've got accelerated growth with acoustics and heads-up display doing really well.

Our new next-gen paint protection film and performance films doing incredibly well, a service channel strategy that allowed us to grow a lot of market share in China this year -- or I should say, in '20. I mean that's going to continue to provide growth. So it is a real combination of market and innovation and service model that's driving a lot of that growth. And you know that the margins of these businesses are above segment average and above company average. So you get a lot of mix lift when these things sort of come back.

We've been saying that the volume and mix hit that we took in '19 relative to '18 and '20 versus '19 has a mirror image when it starts coming back, and you start to see that in the fourth quarter, and we'll continue to see it now. I will note, though, that demand is exceptionally strong across the supply chain. And so we are running into logistics constraints and capacity limits and serving all of it. So we're still happy to serve as much as we are, but it's a bit challenging out there on the logistics front right now for a lot of products.

Frank Joseph Mitsch - Fermium Research, LLC - Senior MD

Got you. Got you. Very helpful. And if I could ask about AFP, it was really interesting to read about the retinal sunflowerate, and I was wondering where I could get some of that at some point. I know Greg uses it because he looks fantastic.

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

He certainly needs to.

Frank Joseph Mitsch - Fermium Research, LLC - Senior MD

Yes. Where -- so you continue to call out 1/3 of the business that's challenged. Where do you stand on the strategic review? And what your -- what do you think your ability is to execute something in '21?

William Thomas McLain - Eastman Chemical Company - CFO & Senior VP

Thanks for the question, Frank. First, I'd say the pandemic has accelerated some of the issues that we're facing in the 1/3, particularly as we highlighted in the first half of the year in tire additives. Also, I'd say the environment has made it more challenging to, I'll call it, complete some of the alternatives that we're considering for the businesses. But we're committed to addressing the performance. We've announced that we're shutting down one of the tire additives facilities. And you can expect us to continue to look at the footprint of tire additives, adhesives and also the contract structures within those businesses.

And considering the types of actions that make sense, it could also include joint ventures and divestitures that we've highlighted in addition to just transforming within the Eastman portfolio. We continue to work on reducing the cost without sacrificing also some of the innovation. We continue to make progress in the transition to, I'll call it, the Crystex Cure Pro next generation. And we're also very active here on all the options as we start 2021, and we'll update you when we make progress on that.

Operator

We will now take our next question from Bob Koort from Goldman Sachs.
Robert Andrew Koort - Goldman Sachs Group, Inc., Research Division - MD

Mark, I was hoping you could answer a question I get and fumble when my clients ask me, and that is, what is the trends in propylene and refinery grade propylene mean to your business from a profit or advantage or disadvantage standpoint relative to your competition?

William Thomas McLain - Eastman Chemical Company - CFO & Senior VP

So Bob, from what we see, demand is strong across many of the end markets. And I think also you’re probably referencing what we’ve seen here in the near term of propylene, I’ll call it, surging and increasing, I think it was roughly $0.12. Fundamentally, we’re happy to have propylene rising with -- driven by demand and some of the outages. Refineries are running at lower rates, and it’s unclear how long this is going to last. Also, some of the feedstocks have risen. But spreads have moved back to more normal levels, but they’re not fully back to 2018 types of levels.

Also, as we said in the past, we’re not in the olefins forecasting business. But again, the spreads that we’ve seen with our transition to RGP and PGP, those margins are very strong right now as well. The big spikes can be tricky for our chemical intermediates business to manage, but they’re reacting quickly to those market dynamics. And again, we see upside, at least in the olefin and derivative margins, compared to 2020.

Robert Andrew Koort - Goldman Sachs Group, Inc., Research Division - MD

So Willie, is the cliff notes then that if the raw material inflation is demand based, then you’re okay with that because it allows you to pass it through and more easily?

William Thomas McLain - Eastman Chemical Company - CFO & Senior VP

Yes, that’s correct, Bob.

Robert Andrew Koort - Goldman Sachs Group, Inc., Research Division - MD

Got it. And then, Mark, I’m sure it’s refreshing to not have to talk about olefins and those things and talk about next-generation technology. Is there any way -- I mean, look at the number of questions on the call about it. Is there any way to ring-fence it and then put it into a SPAC at a sales multiple that drives your earnings multiples? Is -- conceptually, could you do it?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

We can just change our name to GameStop. Not really, Bob. I mean I think there’s -- I think what we’re doing is dramatically changing the portfolio of this company to -- I know it’s a trend that everyone’s saying this right now, but genuinely be more of an ESG play. When you look at -- for the last decade, we’ve been launching a wide range of products that are sustainable and much better for the environment across our portfolio.

And now you add on the circular economy and what we can do and how we could scale this up through partnerships, I think we can really pivot the nature of who we are and the significant improvements we can make in our carbon footprint and drive towards that 30% reduction in 2030 is a huge change in our footprint, not to mention where we want to all get by 2050. So I think we are really repositioning the company in a pretty significant way.

But the whole value of what we can do that’s so unique and so powerful in the circular economy is leveraging our integration of our site here in Tennessee. We’ve talked a lot about scale and integration being a huge competitive advantage for us. And a lot of people have thought about that being cost. I’ve always thought about that being about enabling innovation and growth. And here’s another example where this vastly interconnected and complicated infrastructure that we have here is going to be key to differentiating us in doing something that very few other people can do at our economic efficiency.
I mean we can definitely do methanolysis around the world, but the way we can do it here is going to be uniquely advantaged relative to a stand-alone plant. Both are attractive. This is just really attractive, and the other ones are still going to be more attractive than the 15% ROIC. So no isolating it off in a SPAC, but feel free to buy Eastman as a great environmental play.

Operator
Our next question is from Aleksey Yefremov from KeyBanc.

Aleksey V. Yefremov - KeyBanc Capital Markets Inc., Research Division - Research Analyst
Mark, if you're investing about $250 million of capital in the methanolysis project, your ROIC is about 15%, so let's say, 20% for the sake of the argument. So does this mean this project could contribute somewhere north of $50 million of after-tax cash flow? Is this a fair math?

William Thomas McLain - Eastman Chemical Company - CFO & Senior VP
No. Alex, this is Willie. And yes, your math is correct at the 20% levels. So to your point, we're focused on...

Mark J. Costa - Eastman Chemical Company - Chairman & CEO
Yes. I would emphasize the ROIC in this one as unique compared to normal specialty investments because we can load the plant so fast. So the payback period is a lot faster for us in this one compared to normal where you're filling out a Tritan plant over time because we can baseload it with PET because we do still have some PET assets left that are dual purpose with our specialty plastics. And so that gives us a lot of leverage in how we gain returns on the economics.

Aleksey V. Yefremov - KeyBanc Capital Markets Inc., Research Division - Research Analyst
So 20% is not necessarily the limit here is what you're trying to say as well?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO
Well, we don't want to get into details, but let's just leave it at that. It's a very attractive investment.

Aleksey V. Yefremov - KeyBanc Capital Markets Inc., Research Division - Research Analyst
And just as a follow up, you're talking about using 250 million pounds of plastic waste by 2025, 500 million pounds by 2030, should we think about this as lower limit for growth that you're thinking about this business? Or is it most likely scenario? Or is this the upper limit? How high can it go within the next 4 years to 9 years? And just a second part to this question, you were talking about $500 million to $1 billion in sales. Does this correspond to these 2 numbers, 250 million and 500 million?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO
Yes. So those are interconnected. So the type of waste plastic we're talking about getting to, if you think about the first methanolysis plant and what we think we're going to do with the CRT, that is what drives us towards that platform revenue value of the $500 million to $1 billion. If we partner with companies around the world to do additional plants, that would be additive to those numbers.
And as far as fill out rate goes, it's a little hard to say. We're highly confident we can sell at the plant in a mix of specialties and packaging. But the rate at which we can upgrade into the specialties -- we're seeing huge customer engagement right now. So we're really excited, but we still have a lot of work to do. I mean the great thing, by the way, is we are using a sort of a high-cost approach to using our existing assets to make recycled content today, right? That's why we're commercial with CamelBak, Nalgene is we do have an alternate process that we're currently using, but it's more expensive, and it's limited capacity.

But -- so it's a way to, if you will, have semi-works to build market momentum adoption that allows us to really hit the ground running when methanolysis comes in line to lower our cost and significantly add our capacity. And the CRT, of course, is already being repurposed. It's a very low CapEx way to switch over to reforming plastic. So that, we just continue to scale up. We got delayed in our progress with our collapse in the textiles market. So we just need to catch up now.

Operator

We will now take our next question from P.J. Juvekar from Citi.

Eric B Petrie - Citigroup Inc., Research Division - VP & Senior Associate

It's Eric Petrie on for P.J. You noted the methanolysis plant has capacity of 150,000 to 200,000 tons of polymer per year. I'm assuming most of that will go into Tritan. So at the fill out point, how much of your Tritan will be renewed versus traditional produce-based?

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

We -- first of all, it's not all Tritan. So Tritan, I think, will be one of the big success stories, but it's not limited to that. So we have a lot of copolyesters that go into cosmetic packaging, for example, that has a significant amount of value for that space who are very forward-leaning on the sustainability front, who are very interested in adopting recycled content. So it's across that. There's even some shrink packaging that we may do. And so there's a wide range of products in markets, but it will be a good portion of the Tritan mix, but we're not going to call out that percentage right now.

Eric B Petrie - Citigroup Inc., Research Division - VP & Senior Associate

Okay. And then secondly, how did volumes for your specialty products grow in fourth quarter? And what was the comp for full year '20? Typically, those end markets grow 2x underlying.

Mark J. Costa - Eastman Chemical Company - Chairman & CEO

Yes. So the whole 2x math gets a little confusing in a COVID crisis on how to actually measure it. But what we -- we've seen -- you've seen tremendous growth and progress and success in the Advanced Materials division, and that's all the specialty products delivering that growth when you look at that volume and mix improvement. When you look at AFP, it's really important to sort of separate out the 2/3 versus the 1/3.

Obviously, the 2/3 is a lot more stable, margins well above the segment average. And even with the aviation headwind of $30 million this year, we think earnings for the 2/3 will get back to and be slightly better than 2019. And so that business -- coatings is demonstrating a lot of strong growth in market recovery. Care chemicals, water treatment, very strong. Our heat transfer fluid business has been very strong. So we got a lot of great businesses doing well there.

And that comment, by the way, both on earnings and strong growth goes back to '18. So the stability of that segment and the margins are actually quite good, offset, of course, by what we've identified in the tires and adhesives where we're taking some actions. But overall, the portfolio is -- on the volume side is actually holding up quite well.
Operator
We will now take a question from Arun Viswanathan from RBC Capital.

Arun Shankar Viswanathan  -  RBC Capital Markets, Research Division  -  Senior Equity Analyst
Congratulations on all the progress. I'm just curious, Mark, you guys laid out an 8% to 12% EPS growth rate in the past. I know that '21, obviously, is going to be much above that because of the recovery. But when you look long term and you add in the methanolysis gains, do you see a path to returning to that level structurally longer term or maybe even eclipsing that?

Mark J. Costa  -  Eastman Chemical Company  -  Chairman & CEO
Well, right now, we're still focused on recovery and getting back to '18 levels, which I do think is a pathway we can see after we get through this year. I think we're already on a strong track with what we've guided for this year. When you think about post recovery, let's say, and I'm not going to try and predict when that is with COVID, we very much would expect to get back to that growth math that we described on at Innovation Day of that 8% to 12%.

Obviously, circular economy helps that and drives growth. Obviously, we've had things that haven't worked out as well as we had hoped like, tires and adhesives. So you got to sort of do all that net math, which we're not doing at this stage. But we definitely see the set of activities, the great things that are happening in many parts of the portfolio, a few things that didn't work out as we had hoped allows us to still get back to '18 and grow from there with that math.

Arun Shankar Viswanathan  -  RBC Capital Markets, Research Division  -  Senior Equity Analyst
And then could you just remind us on the capital allocation side, when you expect to kind of maybe pivot more towards buybacks, if at all?

William Thomas McLain  -  Eastman Chemical Company  -  CFO & Senior VP
Yes. So as we think about capital allocation for '21, first and foremost, obviously, we grew our dividend for the 11th year in a row, and we expect to allocate about $375 million there. Also, we've got some debt coming due in Q4, and we would expect currently to pay that debt down. So $300 million of debt reduction. And then also looking through with the remaining cash from a strategic standpoint, we would expect to allocate roughly $350 million between bolt-ons and share repurchases. Obviously, we're going to be, I'll call it, cautious offsetting dilution here in the front half, and we'll see how the economy continues to pick up.

Mark J. Costa  -  Eastman Chemical Company  -  Chairman & CEO
And just to sort of wrap things up, one last thing I wanted to say was I have a deep appreciation to my employees and our leaders throughout the world. The success we had in getting through '20 in a very stable manner compared to many in the industry and to emerge and grow like we intend to do this year is a testament to all the investments we've made in our capabilities.

I mean we've made a lot of investment in commercial capabilities, a lot of investments in improving our operational cost structure. We've obviously dramatically changed our portfolio and improved its quality and depth of innovation and ability to create its own growth compared to the last recession we faced in 2009/’10.

And we're seeing the payoff of that in the stability we delivered last year and the strong free cash flow and actually quite good earnings, especially if you back out the $100 million of additional inventory actions and feel great about how we're positioned for this year. And so none of that would
have happened without the dedication and effort even in the extreme situation of how we had to work in COVID to deliver this. So thank you to all of my employees.

**Gregory A. Riddle - Eastman Chemical Company - VP of IR & Communications**

And with that, we're going to say thank you very much for joining us this morning. And if you have questions, you can reach us through the day. Everybody, have a great day.

**Operator**

Thank you. That will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.