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Eastman Chemical Company Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. (Operator instructions) And we will pause for just a moment to assemble the question roster. And for our first question, we go to Jason Minor with Deutsche Bank.

Jason Minor – Deutsche Bank

Thank you. Good morning.

Brian Ferguson

Good Morning, Jason.

Jason Minor – Deutsche Bank

Firstly, I think when Curt last talked about raw materials headwinds, he described a 60 to 100, 80-day lag to see some of the benefits flow through. But given volumes, it sounds like that maybe extending. I just wondered if you could discuss where we are in that sort of thinking now. But if it were in fibers, where would you expect or when would you expect pressures on raw materials side at the east?

Brian Ferguson

Let me jump on the fibers one first, and then let Curt do the company as a whole, if I could. Because something unusual happened last year where the raws moved so much on us, with wood pulp and coal. The industry actually had a price increase during the year. It happened during the fourth quarter. So yes. The impact of having the raw materials for the full quarter, but the pricing only kicked in for a portion of the quarter. So you would expect that to even up here during the first quarter.

And fibers overall is still such a strong business. And I think we reacted well to what we saw in the raw materials there. And I'll let Curt–

Curt Espeland

Right. And Jason, what you're seeing and some of the impact of the inventory turns, because really what we're referring to there, was really the fourth quarter, which was where you saw demand coming up as well as we were running our plants to focus on our cash flows. If you look at how we're starting the year, right now basically, our production is there to match demand. So you should see the inventory turns that you'd normally expect in our businesses as we were matching the demand and production.

Well, all that said, we're probably going to run off most of these high cost inventory this quarter. There'll be a little of a lag in some of the plastics, but most of it runs off this quarter.

Jason Minor – Deutsche Bank

That's very helpful. Okay. Thank you. And just on raw materials and energy again, in the quarter, you mentioned about \$25 million of headwind. How does that overlap perhaps with the \$60 million plus of hedging loss? And maybe just to drill down a second in PCI, roughly, how much were those impacts in PCI in the quarter?

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