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CORPORATE PARTICIPANTS

Larry Kromidas *Olin Corporation - Director of IR*

John Fischer *Olin Corporation - President & CEO*

Todd Slater *Olin Corporation - VP & CFO*

Jim Varilek *Olin Corporation - EVP and President of Chlor Alkali Products and Vinyls*

Pat Dawson *Olin Corporation - EVP and President of Epoxy*

CONFERENCE CALL PARTICIPANTS

Frank Mitsch *Wells Fargo Securities, LLC - Analyst*

Jason Freuchtel *SunTrust Robinson Humphrey - Analyst*

Don Carson *Susquehanna Financial Group / SIG - Analyst*

Arun Viswanathan *RBC Capital Markets - Analyst*

Aleksey Yefremov *Nomura Securities Co., Ltd. - Analyst*

John Roberts *UBS - Analyst*

Dmitry Silversteyn *Longbow Research - Analyst*

Kevin McCarthy *Vertical Research Partners - Analyst*

PRESENTATION

Operator

Good morning, and welcome to the Olin Corporation's third quarter 2016 earnings conference call.

Please note that this event is being recorded.

I would now like to turn the conference over to Larry Kromidas, Director of Investor Relations. Please go ahead.

Larry Kromidas - *Olin Corporation - Director of IR*

Thank you, Austin, and good morning, everyone.

Before we begin, I want to remind everyone that this presentation, along with the associated slides and question-and-answer session following our prepared remarks, will include statements regarding estimates of future performance. Please note that these are forward-looking statements and that results could differ materially from those projected. Some of the factors that could cause actual results to differ are described without limitations in the risk factors section of our most recent 10-K and in our third-quarter earnings press release. Also note that during today's call we will reference quarter-over-quarter comparisons, as the prior year results do not reflect the contribution of the chlorine products businesses that we acquired from Dow.

Finally, a copy of today's transcript and slides will be available on our website in the Investors section under Calendar of Events. The earnings press release and other financial data and information are available under Press Releases.

Now I'd like to turn the call over to John Fischer, Olin's President and Chief Executive Officer. John?

John Fischer - *Olin Corporation - President & CEO*

Good morning and thank you for joining us today. In addition to Larry, with me this morning are Pat Dawson, Executive Vice President and President of Epoxy; John McIntosh, Executive Vice President, Chemicals and Ammunition; Jim Varilek, Executive Vice President and President Chlor Alkali Products and Vinyls; and Todd Slater, Vice President and Chief Financial Officer.

I will begin with a discussion of our third quarter results, our fourth quarter and full-year 2016 adjusted EBITDA forecast, and then provide some details on each of the businesses. Todd will then provide an update on our cash flow projections for the year before we open the call to questions.

On slide 3 we list some of the highlights for the third quarter and our fourth quarter and full-year expectations. Last night we announced third quarter 2016 adjusted EBITDA of $221.9 million, which includes depreciation and amortization expense of $135.3 million, restructuring charges of $5.2 million and acquisition-related integration costs of $13.1 million.

While the third quarter saw sequential improvement from all three segments, adjusted EBITDA was at the lower end of our range. Chlorine volumes were lower than expected, and purchased ethylene, benzene, and propylene prices were higher than expected. These items were partially offset by better than expected caustic soda prices and lower corporate and other costs.

We expect fourth quarter adjusted EBITDA to be in the range of $190 million to $220 million. Caustic soda pricing is expected to improve 7% to 10% compared to the third quarter. This improvement reflects both higher domestic and export caustic soda pricing.

The improvement in caustic soda pricing will be offset by seasonally weaker volumes for ammunition, merchant chlorine, vinyls bleach and refrigerant chemicals. We also expect higher natural gas, purchased ethylene and propylene costs compared to the third quarter. While the combination of the current levels of both EDC price and market ethylene costs, we elected to reduce fourth quarter EDC volumes.

Now let us turn to slide 4 and review our full-year 2016 forecast. As a result of our third quarter actual results and our fourth quarter outlook, we are now forecasting full-year 2016 adjusted EBITDA to be in the range of $810 million to $840 million. This forecast compares to our original 2016 full-year estimate of $915 million to $985 million and continues to reflect weaker chlorinated organics volumes from refrigerant, agricultural and packaging customers and lower EDC pricing. In addition, despite the recent favorable trend in caustic soda pricing, the full-year 2016 average caustic soda price is expected to be approximately $20 per ton lower than our original forecast.

Now let us turn to the businesses, beginning with Chlor Alkali Products and Vinyls on slide 5. Third quarter sales of $779.4 million improved 6% over sales in the second quarter. Improved caustic soda volumes and pricing and seasonally stronger bleach and chlorinated organics volumes were partially offset by sequentially weaker merchant chlorine volumes. Chlorine demand from our urethanes customers were down approximately 20% sequentially in the third quarter.

Now turning to caustic soda. Since April we have seen seven consecutive months of improvement in the domestic caustic soda price indices. As a result, our domestics caustic soda price improved by approximately 5% in the third quarter compared to the second quarter, and we are forecasting domestic caustic soda pricing to improve sequentially in the fourth quarter by approximately 7%.

We have also seen improvement for seven consecutive months in the export caustic soda price indices. Export caustic soda pricing improved by approximately 12% in the third quarter compared to the second quarter, and we are forecasting a similar caustic soda export price increase in the fourth quarter.

Chlor Alkali Products and Vinyls adjusted EBITDA increased $25.9 million in the third quarter to $160 million as compared to second quarter levels. The sequential improvement in the business was attributable to higher caustic soda pricing and volumes and decreased expense for maintenance outages. Higher natural gas prices and purchased ethylene costs partially offset these improvements.

We expect fourth quarter Chlor Alkali Products and Vinyls adjusted EBITDA to be slightly lower than the third quarter. Seasonally lower volumes from merchant chlorine, vinyls, bleach and refrigerants chemicals as well as higher natural gas and purchased ethylene costs will offset improved caustic soda pricing.

Turning to slide 6, I would like to reiterate our long-term view on caustic soda pricing. Olin believes there are several favorable trends emerging in the global caustic soda market some of which are evident today. First, Olin reduced capacity by 433,000 tons at the end of the first quarter, and there have been no major chlor alkali increases announced in North America.

Outside of North America, the mandated elimination of European mercury-based chlor alkali production by the end of 2017 is expected to result in Chlor Alkali capacity reductions of between 1 million and 1.5 million tons. Some of these reductions have already taken place. As a result, we have seen caustic soda imports into the United States from Europe decline in 2016 from historic levels, and we expect Europe to ultimately become a net importer of caustic soda.

Finally, we've also seen caustic soda exports from China decline each year since 2012, with these declines expected to continue. Overall, Chinese exports have declined by approximately 30% since 2012. We believe this reflects the combination of reduced supply, driven by lower chlorine production and increased internal consumption.

As a result, caustic soda export sales for North America have reached record levels during 2016. Olin continues to believe that the chlor alkali industry is entering a favorable multi-year caustic soda pricing environment.

Now let's move ahead to slide 7 and the performance of our Epoxy segment. For the third quarter, Epoxy sales were $470.1 million a sequential increase of $20.1 million from second quarter levels. Epoxy resin volumes improved approximately 10% from the second quarter.

The Epoxy adjusted EBITDA increased 43% from the second quarter results to $32.9 million in the third quarter. This improvement reflects higher volumes and higher product pricing partially offset by higher benzene and propylene costs. Lower maintenance costs in the third quarter also contributed to the sequential increase in adjusted EBITDA.

For the fourth quarter we expect Epoxy segment earnings to be similar to the third quarter levels. We are forecasting higher product pricing and lower expense for maintenance outages to be offset by seasonally weaker volumes and higher benzene and propylene costs. Consistent with our long-term forecast, for the full-year 2016, adjusted EBITDA in the Epoxy business is expected to increase approximately 40% from pro forma 2015 levels.

I would now like to turn the to Winchester's performance, which is summarized on slide 8. Third quarter sales were $203.2 million, a 12% increase compared to the second quarter. Seasonally strong demand across all customer categories drove the sequential improvement in sales. Adjusted EBITDA of $40.7 million was higher than both the second quarter 2016 and third quarter 2015 adjusted EBITDA levels.

Third quarter Winchester segment earnings were the third best quarterly earnings in its history. The improved adjusted EBITDA from the second quarter reflects higher volumes and lower commodity other material and manufacturing costs.

With the completion of the centerfire relocation effort, we now expect cost savings of $40 million annually from this five-year project. We are forecasting normal seasonally weaker volumes in the fourth quarter, but we expect that both fourth quarter 2016 and full-year 2016 Winchester earnings will exceed the same periods in 2015, primarily as a result of expected incremental savings from the Oxford relocation, expected decreases in commodity and other material costs, and expected improvements in volumes.

I would now like to take a minute to update everyone on our synergy efforts. Slide 9 summarizes the expected annual synergy capture for both costs and revenue based synergies and the capital and integration costs associated with attaining those synergies.

We continue to expect synergies to total $60 million in 2016 and to end the year at an annualized run rate of $80 million. In addition, there are significant costs and operational synergies to be realized over the next 18 months. The Company expects procurement and maintenance related costs and operational savings of $125 million to $150 million over the next four to six quarters as well as an additional $20 million of savings from the optimization of administrative activities that were outsourced or covered by transition service agreements from the time of the transaction with Dow.

Now, turning to my final slide. We remain confident that our business is positioned to achieve mid-cycle adjusted EBITDA of $1.5 billion annually. In spite of the full-year 2016 outlook that is what below our original expectations, there are a number of factors in place that suggest meaningful improvements can be achieved next year and beyond.

If caustic soda prices remain constant at the current levels we have on a fourth quarter 2016 forecast, adjusted EBITDA will improve by approximately $100 million in 2017. In addition, if current levels of EDC prices, which are still near historic lows, are maintained for 2017 and Olin acquires the second tranche of cost-based ethylene by mid-year 2017, then approximately $50 million of year-over-year improvement should be realized.

In 2016 the Epoxy business demonstrated the level improvement that can be achieved as evidenced by the sequential improvement in the third quarter, and we are looking forward to further improvement next year. Finally, we continue to see significant synergy opportunities, the vast majority of which are still ahead of us.

Now we would like to turn the call over to Todd Slater. Todd?

Todd Slater - *Olin Corporation - VP & CFO*

Thanks, John. Let's turn to our 2016 cash flow forecast, which is on slide 11.

We expect to generate $351 million of free cash flow before dividend payments in 2016. Starting with the midpoint of our full-year adjusted EBITDA guidance of $825 million on the far left of the waterfall chart, we add back $25 million in taxes for an income tax refund we expect to receive in 2016. This reflects the benefits from the utilization of net operating loss, carryforwards created by acquisition costs incurred last year and income tax refunds from prior years, primarily resulting from the ability to utilize net operating loss carrybacks.

Based on our current forecast of net operating loss carryforwards in 2016, we expect a lower-than-normal cash tax rate in 2017, as we expect net operating loss carryforwards to provide a cash tax yield of approximately $40 million to $50 million after 2016. Column 3 shows the capital spending and investments we expect to make in 2016. The $455 million includes the midpoint of our current forecast for capital spending of $280 million and the $175 million of investments we made during the year for additional low-cost electrical power for the next 20 years at our Freeport, Texas, and Plaquemine, Louisiana, facilities.

We have lowered our full-year forecast for capital spending by $20 million. As we discussed in the second quarter call, Olin entered into a program to accelerate the collection of receivables, which should create a permanent working capital reduction of $175 million in 2016. This is a one-time increase in cash flow, as we intend to keep this program in place for the foreseeable future.

In the next column, one-time items include integration and cash restructuring costs of approximately $80 million, which are partially offset by an insurance recovery and asset sales totaling $50 million.

The next column represents interest expense. We have approximately 60% variable rate debt in our debt profile. As a result, we are estimating the fourth quarter 2016 interest rate to be approximately 5%. For the full year 2016, approximately $205 million of debt will be repaid using available cash.

In the far right-hand column, we are forecasting $219 million of free cash flow after paying our normal quarterly dividends, totaling approximately $132 million for the year.

Finally, on October 26, Olin's Board of Directors declared a dividend of $0.20 on each share of Olin common stock. The dividend is payable on December 9, 2016, to shareholders of record at the close of business on November 10, 2016. This is the 360th consecutive quarterly dividend to be paid by the Company.

Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Frank Mitsch, Wells Fargo Securities.

Frank Mitsch - *Wells Fargo Securities, LLC - Analyst*

Good morning, gentlemen.

John, appreciate some of the more detail that you are providing, particularly with the lowering of the forecast. I'm trying to understand a little bit better the comment that lower caustic soda pricing is going to be a negative impact of $60 million from your original forecast.

I believe the original forecast was reiterated in May, early May, and since that time you mentioned during your prepared remarks something like seven quarters in a row -- seven months in a row of higher pricing. I'm trying to reconcile what the expectation was back in early May versus what you're actually realizing, such that you are going to be $60 million lower due to lower caustic soda pricing.

John Fischer - *Olin Corporation - President & CEO*

Frank, if you remember we saw caustic soda price indices drop in March and then April and that when we had done our call in May, we were not aware of the April drop. We also experienced in the second quarter an unfavorable mix, which we talked about, where a higher percentage of our caustic sales were export versus import -- or versus domestic, excuse me. Just the weighted average of that took us below where we thought we would have been on a full-year basis.

We actually have expected we would start the year and be flat to moving up for the whole year. We just had a dip at the end of the first quarter and into the second quarter. If we looked at our forecast, that is about $20 a ton for the year lower than we would have expected at the start of the year.

Frank Mitsch - *Wells Fargo Securities, LLC - Analyst*

Okay. That's helpful.

Perhaps you could elaborate in terms of the higher raw material natural gas costs because as you said, you have seen caustic prices move up. How is the interplay in your system between the increase in electricity cost versus the increase in your caustic soda pricing?

Are we seeing margins being enhanced, or is it merely enough to offset the increase in natty gas?

John Fischer - *Olin Corporation - President & CEO*

On balance, we are seeing margins enhance, Frank.

Frank Mitsch - *Wells Fargo Securities, LLC - Analyst*

Okay. All right.

Lastly, John, just to make sure that we're looking at things in the same basis, looking at 2017, you indicated obviously if caustic stays where you think Q4 is, where your Q4 comes in, that's $100 million on a full-year basis, which I guess there is some potential for that to increase, because if I'm not mistaken, your Q4 average cost, based on where pricing indices are, probably ticks higher in Q1, just based on the lag in price realizations.

That's $100 million, possibly higher. You have $50 million of synergies in 2017 higher, and another $50 million that you indicated from the ethylene at cost. Right now, all else being equal, you're looking at 2017 being $200 million higher than 2016?

John Fischer - *Olin Corporation - President & CEO*

Well, the offset to that is if natural gas stays where it is today, that would be a negative to the $200 million, because natural gas today is higher than it has been on average for 2017. That would be the one offset to that, Frank, but your math is right. I would concur with your first comment about caustic. The index price improvement that we saw published a couple days ago for October will have -- predominately have a positive effect on us in Q1.

Frank Mitsch - *Wells Fargo Securities, LLC - Analyst*

All right. Terrific. Thank you.

Operator

Jason Freuchtel, SunTrust.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Hey, good morning.

John Fischer - *Olin Corporation - President & CEO*

Good morning, Jason.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

The commentary was very helpful on the bridge of 2017. To better understand the revisiting your guidance that was provided in August, can you provide some clarity in terms of how much natural gas, ethylene, as well as the performance in epoxies, EDC and chlor alkali pricing impacted your expectations for 3Q 2016?

John Fischer - *Olin Corporation - President & CEO*

Yes. The decline in the guidance was equal, essentially equal parts ethylene, natural gas, and epoxy.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay. Great.

As we look into 4Q 2016, should we assume that the same kind of equal percentage of impact to 4Q 2016 from 3Q 2016?

John Fischer - *Olin Corporation - President & CEO*

Actually, if you roll forward from Q3 2016 to Q4 2016, the two big impacts are the normal seasonal decline in Winchester, which if you look historically, Winchester's fourth quarter results usually decline about 30% from third quarter, just due to the seasonal pattern of ammunition purchases. That is what is baked into our estimate.

We've got some slightly higher corporate costs in terms of the timing of things like litigation and environmental. I think then we give specific commentary around the business. We do expect higher gas prices in CAV, but better caustic prices and then seasonal weakness on some of the products.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay. Just to add on to the bridge into 2017, are there any turnarounds that will go away? What is your view of seasonality in each of the businesses from 4Q to 1Q?

John Fischer - *Olin Corporation - President & CEO*

I think year-over-year we would expect in 2017 outages to be similar to, to slightly higher in 2017 versus 2016. Seasonally, the chlor alkali business definitely gets stronger as we move through Q1, and we would expect it to be stronger than Q4.

I would say the same thing about the epoxy business. Those comments are absent outages which, with the Gulf Coast assets tend to be concentrated in Q1 and Q2.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay. Is the $50 million year-over-year improvement in EDC earnings that you commented for 2017 that is associated with the second tranche of the Dow ethylene contract, is that $50 million benefit the full expected benefit from the second tranche of the Dow ethylene contract?

John Fischer - *Olin Corporation - President & CEO*

The $50 million improvement is made up of two pieces. What we said was if EDC prices stay the same throughout 2017 as they are in Q4, which is higher than they were earlier this year, that's part of it. The other part of it is the second tranche of the ethylene.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay. Roughly how much is the impact from the second tranche of the ethylene?

John Fischer - *Olin Corporation - President & CEO*

We're not going to comment on that.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay. Great. Thanks, guys.

Operator

Don Carson, Susquehanna Financial.

Don Carson - *Susquehanna Financial Group / SIG - Analyst*

John, how hard were you running EDC assets in the quarter? Of your ethylene requirements there, how much is internal versus how much is purchased externally in spotter contract?

John Fischer - *Olin Corporation - President & CEO*

During Q3 we were running fairly hard. About 60% of the ethylene is cost-based and about 40% is market-based.

Don Carson - *Susquehanna Financial Group / SIG - Analyst*

On 40% market based, what's the spot contract split there?

John Fischer - *Olin Corporation - President & CEO*

I'm not sure I understand the question. I think the best barometer of it is something like the IHS monthly price.

Don Carson - *Susquehanna Financial Group / SIG - Analyst*

Okay. You are not finding spot? It's all contract?

John Fischer - *Olin Corporation - President & CEO*

It is really a mix, Don.

Don Carson - *Susquehanna Financial Group / SIG - Analyst*

Okay.

John Fischer - *Olin Corporation - President & CEO*

From a modeling perspective, I would assume it is at a spot price.

Don Carson - *Susquehanna Financial Group / SIG - Analyst*

Fourth quarter part of the revision, is it also greater-than-expected outages, or were these turnarounds in Charleston and St. Gabriel already in your guidance?

John Fischer - *Olin Corporation - President & CEO*

They were already in our guidance.

Don Carson - *Susquehanna Financial Group / SIG - Analyst*

Then just a clarification on the tranche two of the Dow ethylene contract. That kicks in mid-year. What would you estimate -- if you have that for the full year, what would you estimate the earnings benefit to be?

John Fischer - *Olin Corporation - President & CEO*

We're not going to comment on what that is, because that tells you what our cost is and that is very competitively sensitive.

Don Carson - *Susquehanna Financial Group / SIG - Analyst*

Okay. Thank you.

Operator

Arun Viswanathan, RBC Capital Markets.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Thanks. Good morning.

I just was wondering if you could help us understand the 2017 comments a little bit more. First off, the $100 million caustic improvement, when you say that if it includes the Q4 caustic improvements, what exactly are you including in the Q4 improvements?

Is that what we saw in the October index? Are you assuming that that holds constant through most of 2017? Are you including any increases for November and December?

John Fischer - *Olin Corporation - President & CEO*

The $100 million is based on the price, as we said, we assumed. That was based on the information we had through the end of September. I just said the index improvement that we saw in October would be an incremental benefit beginning in Q1. If there are additional improvements in the index or additional price increases as announced in the fourth quarter or into 2017, those represent further upside to the $100 million.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Okay, great. Before you were tracking it around $240 million to $250 million a quarter, but it now looks like your run rate's around $220 million, $210 million or so. Maybe you could help us bridge that gap. What you think is the biggest movements are there? Is it mainly nat gas and ethylene? How much to think the contract that you signed with Dow would bridge that gap?

John Fischer - *Olin Corporation - President & CEO*

Well, the biggest impact we have had over the course of the year has been the increase in natural gas costs, which if you just look at some kind of index it's gone from about $2 in Q1 to something around $3 in Q4. Today, round numbers, two-thirds of our electricity comes from gas versus it used to be 25% in the Olin system. That is the biggest single impact.

The ethylene move really happened late in the second quarter and as it moved up quite a bit in Q3. It is actually forecasted to back off a little bit. That is an impact really only hit us in the first half -- in the second half of this year and if it carries over, it will only hit us in the first half of next year, so that is kind of a wash.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Okay. What you are saying is that if all else equal, the only major headwind that you see relative to getting to that billion or so next year is the gas piece.

John Fischer - *Olin Corporation - President & CEO*

Very simplistically, that is true.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Okay. (Multiple speakers)

John Fischer - *Olin Corporation - President & CEO*

There is a lot of assumptions in there around business activity, which is ultimately very important, but --

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Arun Viswanathan - *RBC Capital Markets - Analyst*

Okay. Great. Just on the Epoxy business, is that business evolving the when you see it or is it slightly below your expectations on volume or price?

John Fischer - *Olin Corporation - President & CEO*

I think it is improving the way we forecast. We are looking at a year-over-year improvement in EBITDA of 40%. I think we had a chart in our Investors Day slide, I think where we are forecasting that to come out is consistent with that chart.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Okay. Thanks.

Operator

Aleksey Yefremov, Nomura Securities.

Aleksey Yefremov - *Nomura Securities Co., Ltd. - Analyst*

Good morning. Thank you. Are you happy with the way your caustic soda contracts are currently structured? If not, do you see an opportunity to improve pricing terms and specifically lags as you negotiate 2017 contracts?

John Fischer - *Olin Corporation - President & CEO*

I would say generally we're happy with where they are. The terms under which you negotiate contracts tends to change depending on whether the market is short or long. Contracts that we would be negotiating this year and into next year look like they're going to be negotiated in an environment that is favorable to the seller, so we would expect that we should be able to improve that group of contracts.

Aleksey Yefremov - *Nomura Securities Co., Ltd. - Analyst*

Thank you. Turning to EDC market, EDC prices do not seem to be rising as much as PVC prices in Asia. What do you attribute that to? Do you have any theories behind that?

Jim Varilek - *Olin Corporation - EVP and President of Chlor Alkali Products and Vinyls*

Yes. This is Jim Varilek.

The reason that we have seen a lag in EDC pricing is basically because you've got continued low oil pricing, and therefore the ethylene is not moving as much in Asia as a result and putting pressure on EDC. PVC prices have moved up and as a result of that, we do think that there is room for EDC prices to move and we're not going to participate in that market further until we see the prices on EDC move.

Aleksey Yefremov - *Nomura Securities Co., Ltd. - Analyst*

Thank you.

In your press release you mentioned that in the fourth quarter on of the headwinds could be higher purchased ethylene costs. Are you assuming higher price of ethylene, or is there something else going on in Q4, because benchmarks seem to be pointing to roughly flat ethylene monomer?

John Fischer - *Olin Corporation - President & CEO*

We are assuming -- that is just purchased ethylene and based on the forecast we have, we are assuming that fourth quarter is slightly higher than third quarter.

Aleksey Yefremov - *Nomura Securities Co., Ltd. - Analyst*

So there is nothing as far as outages or your need to purchase more ethylene? None of that is going on in Q4?

John Fischer - *Olin Corporation - President & CEO*

No.

Aleksey Yefremov - *Nomura Securities Co., Ltd. - Analyst*

Okay. Thank you very much.

Operator

John Roberts, UBS.

John Roberts - *UBS - Analyst*

Thank you. Have you actually notified Dow of intent to exercise the option for the second tranche, or do you wait as long as possible in case something unusual happens in ethylene spreads?

John Fischer - *Olin Corporation - President & CEO*

We have actually already notified Dow per the terms of our agreement with Dow.

John Roberts - *UBS - Analyst*

Okay. Is there anything that could shift it from the mid-2017 implementation date?

John Fischer - *Olin Corporation - President & CEO*

The implementation date is entirely dependent on Dow bringing their new cracker in Freeport up online. Mid-year here is the best estimate they have given us most recently.

John Roberts - *UBS - Analyst*

Okay, so your timing is linked to their startup. They don't have to make up anything if they are late in their startup?

John Fischer - *Olin Corporation - President & CEO*

No.

John Roberts - *UBS - Analyst*

(Multiple speakers) Do have any early look on the 2017 Cap Ex? I assume no electricity-like payments in 2017?

John Fischer - *Olin Corporation - President & CEO*

I would say, John, that we continue to say that we believe maintenance Cap Ex for the business is in the $225 million to $275 million range. We have not given any real guidance. I think something in the neighborhood of $300 million plus or minus is probably a reasonable number.

John Roberts - *UBS - Analyst*

Thank you.

Operator

Dmitry Silversteyn, Longbow Research.

Dmitry Silversteyn - *Longbow Research - Analyst*

Good morning. Thanks for taking my question. A couple of questions to follow up, perhaps.

You talked about your expectations for Epoxy EBITDA to be up about 40% in 2016 for the full year versus pro forma in 2015. What was the 2015 annual EBITDA for Epoxy?

John Fischer - *Olin Corporation - President & CEO*

Well, remember it was partially Dow, partially Olin.

Dmitry Silversteyn - *Longbow Research - Analyst*

Right. I'm asking -- you have given a pro forma number of 40%, so I'm just trying to figure out what that implies for the fourth quarter. That's why I'm interested in what was 2016 EBITDA.

John Fischer - *Olin Corporation - President & CEO*

It was somewhere in the $80 million to $90 million range, although it is not entirely apples to apples anymore.

Dmitry Silversteyn - *Longbow Research - Analyst*

Okay. So the 40% is to apples or to oranges? Is it -- so it's a 40% off versus $85 million? Is at how I should think about 2016 EBITDA?

Todd Slater - *Olin Corporation - VP & CFO*

Dmitry, this is Todd. We provided guidance on Epoxy. We said we thought it would be similar to the third quarter. The fourth quarter would be similar the third quarter.

Dmitry Silversteyn - *Longbow Research - Analyst*

All right. I will calculate it backwards from there. Second question on the caustic price optim, as you mentioned on a multi-year environment for positive pricing shaping up, and you mentioned one of the reasons for that was a decline in production in Europe through the mercury transition.

The 1 million to 1.5 million metric tons that are expected to come out by 2017, what would that represent as a percentage of the industry capacity in Europe currently?

John Fischer - *Olin Corporation - President & CEO*

8% to 12%.

Dmitry Silversteyn - *Longbow Research - Analyst*

8% to 12%. Okay. So basically you are looking to pick up that minus whatever the decline in industrial production Europe would be over that year as export volume. Okay. Got that. Then final question. On EDC, you talked about volumes basically holding off production given these low prices. If they persist or don't recover enough for you to exploit your assets more fully, what can we be thinking about in terms of volume declines in EDC on a year-over-year basis in 2017?

John Fischer - *Olin Corporation - President & CEO*

I would say you get to midyear 2017 and the dynamics of our business change because all of the ethylene becomes cost based. I think it would not be a good assumption to assume you are going to see meaningful declines in EDC volumes in 2017 versus 2016.

Dmitry Silversteyn - *Longbow Research - Analyst*

Okay. So basically just the first half of 2017 where we have to worry about that.

John Fischer - *Olin Corporation - President & CEO*

Yes.

Dmitry Silversteyn - *Longbow Research - Analyst*

Okay. Are we talking about single-digit declines or are we talking about more drastic curtailment of production?

John Fischer - *Olin Corporation - President & CEO*

Dmitry, I would take you back to 2016. In the first quarter of this year we actually didn't run particularly hard because the prices were even lower than they are today and you just heard some commentary that we are not running as hard now.

Dmitry Silversteyn - *Longbow Research - Analyst*

Right.

John Fischer - *Olin Corporation - President & CEO*

I think when you balance those two facts in 2016 against what we expect to see in 2017, again, I think talking about a decline in EDC, we are probably talking about some of that would be on the margin.

Dmitry Silversteyn - *Longbow Research - Analyst*

Got it. Got it. Thank you John. Appreciate that color. Final question on Winchester as you sort of come to the end of the relocation and you've got your $40 million in cost benefit. As you look at to 2017 EBITDA levels or longer term EBITDA levels, can you update us what a normalized EBITDA profile for Winchester should look like now?

John Fischer - *Olin Corporation - President & CEO*

What we have said historically is once this was complete we expected Winchester to be able to generate a minimum of $125 million of EBITDA under all market conditions.

Dmitry Silversteyn - *Longbow Research - Analyst*

Okay. All right. I'm assuming that it will be probably something better in 2017. Okay. Very good. Thank you.

Operator

Kevin McCarthy, Vertical Research Partners.

Kevin McCarthy - *Vertical Research Partners - Analyst*

Yes. Good morning. I wanted to come back to the phase out of mercury-based production in Europe. At one point in time I think that you had indicated an expectation for 1.3 million to 1.5 million tons to come out and I thought I heard you say 1.0 million tons to 1.5 million tons in the prepared remarks.

First of all, is that accurate? Second, if it is, I'm wondering why the change on the south end of the range? Are you seeing any more than you had previously expected in the way of conversion of diaphragm or membrane capacity? Thanks.

John Fischer - *Olin Corporation - President & CEO*

I think over the course of the year we've seen about the actual declarations by producers in Europe changed by about 100,000 tons, so there would be 100,000 tons more converted than we might have thought earlier in the year.

Kevin McCarthy - *Vertical Research Partners - Analyst*

Okay. So relatively small, then. Very good. Then second question on epoxy, maybe two pieces. I was wondering if you could comment on the base liquid epoxy resin pricing trend that you have embedded in your guidance in the fourth quarter? Also, remind us of what would be a typical seasonal pattern in that business, 4Q versus 3Q.

Pat Dawson - *Olin Corporation - EVP and President of Epoxy*

This is Pat Dawson. I would say on epoxy pricing you really don't -- I wouldn't say there is a seasonal trend on pricing. There is a seasonal trend on volume where you typically see epoxy volumes go down anywhere between 8% and 12%. 10% is a good number, just simply because people can't get outside to do things from an industrial coating standpoint, mainly.

Pricing we see as being stable to improving going from Q3 to Q4. Some of that, of course, we've already mentioned before around hydrocarbon increases. We had propylene up about 16% from Q2 to Q3. We see that maybe up another 6% from Q3 to Q4, so that will certainly drive a lot of our formula pricing that have that typically lags around a quarter or less.

Kevin McCarthy - *Vertical Research Partners - Analyst*

Very helpful. Then a final question.

How would you characterize natural gas hedges or lack thereof for the fourth quarter and beyond?

John Fischer - *Olin Corporation - President & CEO*

We've not commented on hedging. We are not hedged at the end in the second quarter. I think if you look at the trend out in gas, you're looking well over $3 at this point next year.

Kevin McCarthy - *Vertical Research Partners - Analyst*

Okay. I trying to understand if we see future moves in natural gas looking forward from today. Should we assume that your economics are floating with the market in general?

John Fischer - *Olin Corporation - President & CEO*

I think you can assume that over the long haul, we can't beat the market.

Kevin McCarthy - *Vertical Research Partners - Analyst*

All right. I will follow up off line. Thank you.

Operator

Jason Freuchtel, SunTrust

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Thanks. Just have a couple follow-ups.

I think you previously indicated you should realize about 30% to 70% of changes in chlor alkali market prices, depending on the environment. In the current environment, is it safe to assume you will realize at or near the 70% of the price changes in market prices?

John Fischer - *Olin Corporation - President & CEO*

No, because that 30% to 70% depends on the mix of contracts.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay. Is there a good assumption based on maybe your contract structure we should assume?

John Fischer - *Olin Corporation - President & CEO*

Yes. I think 50%, which is the midpoint of 30% to 70%, over a 12-month period is a good assumption.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay. I think you also indicated on average roughly all of a price increase that is accepted in the market in the beginning month of a quarter will flow through in the following quarter and a small portion of the price increase accepted in the last month of a quarter will flow through in the following quarter. Is that still accurate?

John Fischer - *Olin Corporation - President & CEO*

Yes. I think that's fine.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay. Great. Longer term, once you receive the producer economics for your entire ethylene need, will you be able to run your chlor alkali plants harder and potentially above the industry average since your end-market cost structure will be much lower?

John Fischer - *Olin Corporation - President & CEO*

Yes.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Which end markets -- could we assume that impacts EDC, epoxies, chlorinated organics, all the above, or is it primarily benefiting one specific end market?

John Fischer - *Olin Corporation - President & CEO*

Well, the acquisition, or the ability to have 100% of our ethylene be cost-based primarily benefits the vinyls industry, the vinyls shipments.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay. I guess roughly what percentage of COGs within epoxies is driven by benzene and propylene?

John Fischer - *Olin Corporation - President & CEO*

I don't know that we have disclosed that.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay. Lastly, it looks like you were able to reduce your expectation for capital spending and investments this year. What is driving the lower investment spending in 2016? It doesn't look like it is having an impact on expected synergies. Is that correct?

John Fischer - *Olin Corporation - President & CEO*

It is not having an impact on synergies, no.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay. Great. Thanks.

Operator

Arun Viswanathan, RBC Capital Markets.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Great, thanks. I just wanted to go back to your comments on natural gas. Maybe can just help us understand how you guys think about the potential headwind. I'm of the understanding that in the industry, each dollar change is around $25 to $30 on the ECU. You guys have about $3 million merchant ECUs, which is about 75% gas-based. Are those in the ballpark of the right assumptions to use in calculating your potential headwind?

John Fischer - *Olin Corporation - President & CEO*

Those are exactly the assumptions you should use.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Okay. If we go through that math, then I get something like each dollar per MMBTU for is around $65 million or $70 million annual change, so -- unhedged, that is. I think I heard you say something like $200 million. I'm just not -- making sure I'm getting the right calculation here.

John Fischer - *Olin Corporation - President & CEO*

I'm not sure what the $200 million was.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Okay. I guess I misheard that. Okay. Great.

I also just wanted to confirm an earlier comment. You said that the increase in natural gas is helping on the margin. Is it generally the case that increases in raw materials over the long run does drive increased margin within chlor alkali vinyls?

John Fischer - *Olin Corporation - President & CEO*

Just to clarify, I believe the question was, are the caustic price increases you are getting creating a positive benefit, or are they just offsetting gas, and we said they are creating a positive benefit. I would say this. If you looked at natural gas prices over a 20-year period and plotted it against caustic soda pricing, there is broad correlation there.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Okay. Great.

The last question I had was, have you disclosed what the cash outlay to Dow next year was for any kind of ethylene payments?

John Fischer - *Olin Corporation - President & CEO*

Yes. That has been in all of our investor presentations. I don't have the number in front of me.

Todd Slater - *Olin Corporation - VP & CFO*

It's around $210 million.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Right. Okay, great. Thank you.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to John Fischer for any closing remarks.

John Fischer - *Olin Corporation - President & CEO*

I would like to thank everybody for joining us today and we look forward to speaking to you about our fourth-quarter results in about 90 days. Thank you all.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.
