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CORPORATE PARTICIPANTS

Larry Kromidas *Olin Corporation - Director of IR*

John Fischer *Olin Corporation - President and CEO*

Todd Slater *Olin Corporation - VP and CFO*

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

John McIntosh *Olin Corporation - EVP of Chemicals and Ammunition*

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

CONFERENCE CALL PARTICIPANTS

Frank Mitsch *Wells Fargo Securities, LLC - Analyst*

Arun Viswanathan *RBC Capital Markets - Analyst*

Don Carson *Susquehanna Financial Group - Analyst*

Jason Freuchtel *SunTrust Robinson Humphrey - Analyst*

Aleksey Yefremov *Instanet - Analyst*

Kevin McCarthy *Vertical Research Partners - Analyst*

John Roberts *UBS - Analyst*

Dmitry Silversteyn *Longbow Research - Analyst*

Charles Neivert *Cowen and Company - Analyst*

Herb Hardt *Monness, Crespi, Hardt & Co. - Analyst*

Richard O'Reilly *Revere Associates - Analyst*

PRESENTATION

Operator

Good morning and welcome to the Olin Corporation's fourth-quarter 2016 earnings conference call. Please note 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, Cate. Good morning, everyone. Before we begin, I want to remind everyone that this presentation along with the associated slides and the question-and-answer session following our prepared remarks will include statements regarding estimated performance. Please note these are forward-looking statements and that results could differ materially from those projected. Some of those factors that could cause different results to differ are described without limitations in our risk factors sections in our most recent 10-K and in our fourth-quarter earnings press release.

Also please note that during today's call, we will reference quarter-over-quarter comparisons as the 2015 fourth-quarter results do not reflect the full quarter contribution from the chlorine products businesses that we acquired from Dow. Beginning next quarter, we will revert to traditional year-over-year comparisons.

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 and 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 at Epoxy; John McIntosh, Executive Vice President, Chemicals and Ammunition; Jim Varilek, Executive Vice President and President of Chlor Alkali Products and Vinyls; and Todd Slater, Vice President and Chief Financial Officer.

I will begin with a few key highlights and then discuss our adjusted EBITDA forecast for 2017 before providing some detail in each of the businesses. Todd will then provide an update on our cash flow projections for the year and some full-year modeling forecast assumptions before we open the call to questions.

On slide 3, we summarize our fourth-quarter and full-year 2016 results as well as our full-year 2017 expectations. Last night, we announced fourth-quarter 2016 adjusted EBITDA of $221.7 million, which includes depreciation and amortization expense of $136.1 million, restructuring charges of $6.7 million, and acquisition related integration costs of $9.2 million.

The fourth quarter saw better than expected results in the Chlor Alkali Products and Vinyls segment, which more than offset weaker than expected results in the Epoxy segment. The favorable results in Chlor Alkali Products and Vinyls were primarily the result of favorable cost performance, while the shortfall in Epoxy results reflect softer demand from coatings customers. Winchester's fourth-quarter 2016 segment earnings exceeded the 2015 earnings due to higher sales volumes and lower operating costs.

The full-year 2016 adjusted EBITDA of $838.5 million included some significant accomplishments. Olin realized approximately $75 million of cost-related synergies and these contributed to our favorable fourth-quarter cost performance.

The Chlor Alkali Products and Vinyls segment, we experienced a significant improvement in caustic soda pricing beginning mid-year and we achieved a record volume of bleach sales. EBITDA in the Epoxy business improved approximately 25% in 2016 compared to 2015. And the Winchester business achieved the third highest level of annual EBITDA in its history, while achieving a near record level of annual EBITDA as a percentage of sales.

Now let us turn to slide 4 to review our full-year 2017 forecast. We forecast full-year 2017 adjusted EBITDA to be approximately $1 billion with upside opportunities and downside risks of approximately 5%. In addition to increased synergy capture, we expect significant benefits from higher domestic and export caustic soda pricing.

We also expect that EDC selling prices will be higher in 2017 as compared to 2016. We expect to realize lower ethylene costs beginning mid-year when we acquire additional cost-based ethylene with DOW's, Texas nine cracker coming online. In addition, we expect our Epoxy business to generate higher earnings in 2017.

Partially offsetting these favorable factors are higher natural gas costs, higher hydrocarbon feed stock costs, and a more conservative view on Winchester's results. The upside opportunities to the $1 billion adjusted EBITDA forecast reflect further improvement in caustic soda pricing beyond the realization of first-quarter pricing actions and further improvement in EDC pricing. The major downside risks are higher than forecast natural gas pricing, continued increases in benzene and propylene costs, and a more significant decline in commercial ammunition sales.

We expect the first-quarter 2017 adjusted EBITDA to be the lowest adjusted EBITDA quarter of the year due to a heavy maintenance turnaround schedule. First-quarter 2017 planned maintenance turnaround expenses are forecast to be approximately $10 million higher than the first quarter of 2016 and approximately $15 million higher than the fourth quarter of 2016.

Now let's discuss the businesses beginning with Chlor Alkali Products and Vinyls on slide 5. Fourth-quarter sales of $782.6 million increased slightly over sales in the third quarter. Chlor Alkali Products and Vinyls adjusted EBITDA increased $18.9 million in the fourth quarter to $178.9 million or approximately 12% as compared to third-quarter results.

The sequential improvement in the business was attributable to higher caustic soda pricing and decreased operating costs. Higher natural gas prices partially offset these improvements.

Adjusted EBITDA in the Chlor Alkali Products and Vinyls segment is expected to increase significantly in 2017 compared to 2016, driven by higher caustic soda and ethylene dichloride pricing and addition cost synergy realization, partially offset by increased electricity costs driven by higher natural gas costs and increased maintenance turnaround costs. We are currently forecasting that we will acquire the second tranche of cost-based ethylene by mid-year, which will provide an annual cost reduction of up to $40 million to $50 million depending on ethane and purchased ethylene costs.

A few points of reference. First-quarter 2017 domestic caustic soda prices in the Olin system are forecast to be approximately $30 per ton higher than the 2016 average price. First-quarter 2017 export caustic soda prices in the Olin system are forecast to be in excess of $100 per ton higher than the 2016 export price. First-quarter 2017 EDC prices are forecast to be approximately 25% higher in the Olin system compared to the full-year 2016 levels.

During 2017, Olin has experienced the combination of higher demand for EDC and restrictions in global supply due to outages by Middle Eastern producers. We enter 2017 with favorable caustic soda pricing trends.

Domestic caustic soda price indices have increased for nine consecutive months. We are optimistic that some portion of the $40 per ton increase announced for January 1st will be realized during the first quarter.

During 2016, the pricing gap between caustic soda spot export and caustic soda domestic contract price decreased by $50 per ton. From the low point experienced in April to the December average price, the caustic soda export price indices have increased approximately $160 per ton compared to the average domestic contract price index, which has increased $85 per ton.

This has had the impact of not only increasing overall pricing, but significantly raising the value of the 10% to 20% of the caustic soda volume that we export. Within the Olin system, the average domestic caustic soda price increased 5% from the third quarter of 2016 to the fourth quarter of 2016, while the average caustic soda export price increased 20% over the same time frame.

Now turning to slide 6, I would like to reiterate longer-term macro-level thesis on caustic soda. Olin continues to believe there are several favorable trends emerging in the global caustic soda market, some of which are currently taking place. First, Olin reduced capacity by 433,000 tons in the first quarter of last year and there has been no major chlor alkali capacity increases announced in North America.

Outside of North America, the mandated elimination of European mercury-based chlor alkali production by the end of this year is expected to result in chlor alkali capacity reductions between 1 million and 1.5 million tons of the approximately 3 million tons of mercury-based capacity in Europe. Some of these reductions have already taken place.

As an example of the benefits to the US producers from these capacity reductions, during 2016, we saw caustic soda imports into the United States from Europe decline by approximately 15% from 2015 levels. At the same time, Europe has effectively become a net importer of caustic soda during the past two years. Europe exported less than 300,000 tons of caustic soda and imported 500,000 tons in the past 12 months.

We have also seen caustic soda exports from China decline each year since 2012 with further declines expected. Overall, Chinese exports have declined approximately 35% since 2012. We believe this reflects the combination of reduced supply driven by lower chlorine production and increased internal consumption.

As a result, through November of 2016, caustic soda imports to the United States had declined approximately 28% from 2015 levels and are expected to have been less than 500,000 tons for the full year 2016. In addition to declining imports, caustic soda export sales from North America increased approximately 22% in 2016 compared to 2015 levels and are expected to exceed 3 million tons.

Caustic soda exports from North America are forecast to increase further in 2017. As a result of these trends, Olin continues to believe that chlor alkali industry pricing is entering a favorable multi-year caustic soda pricing environment and we are well positioned to benefit from these favorable dynamics.

Let us move ahead now to the performance of our Epoxy segment, which is on slide 9. Fourth-quarter 2016 epoxy sales declined by approximately $28 million compared to third-quarter levels as a result of lower volumes primarily from coatings customers. Olin believes, in 2016, the industry experienced lower epoxy resin demand in North America compared to 2015. This decline reflects weakness in oil and gas markets.

We also believe epoxy resin industry demand in Europe improved slightly in 2016 compared to 2015. Fourth-quarter 2016 adjusted EBITDA in the epoxy business declined approximately $13 million compared to the third quarter, reflecting the combination of lower demand and higher operating costs. The Epoxy business is sensitive to the prices of both benzene and propylene.

Benzene prices have increased in 2017 from the fourth-quarter levels in both North America and Europe. These increases represent potential head winds for Olin in the first quarter.

In Olin's system, the majority of our contracts were upstream products and some of our mid-stream contracts automatically adjust for higher and lower benzene and propylene costs. These adjustments occur on a one- to three-month lag.

In 2017, we expect adjusted EBITDA in the Epoxy business to improve compared to 2016. While increasing benzene and propylene prices represent potential head winds in the short-term, we expect improved volumes and lower operating costs will drive the year-over-year improvement. As a point of reference, we have seen higher volumes early in 2017 than were experienced in the fourth quarter of 2016.

Now turning to Winchester. Fourth-quarter 2016 Winchester adjusted EBITDA improved approximately 11% compared to the fourth quarter of 2015 as a result of improved volumes, lower commodity metal costs, and lower manufacturing costs. Fourth-quarter 2016 sales increased approximately 3% compared to fourth-quarter 2015 levels. Winchester did experience a slow down in commercial ammunition demand after the presidential election, which we expect to continue into 2017.

We're currently seeing retailers and other large customers reduce inventory levels that had been increased in anticipation of a different election outcome. In 2017, Winchester will benefit from the completion of the Oxford relocation project, which occurred in 2016 and we expect full-year benefits in 2017 of approximately $45 million compared to approximately $40 million in 2016.

These improvements provide a potential offset to higher commodity metal prices, which have increased since the election. Absent the unknown impact of the ongoing inventory correction, the Winchester business would have been forecasting the full-year 2017 adjusted EBITDA would have exceeded 2016 levels.

I would now like to take a minute to update everyone on our synergy efforts. Slide 9 summarizes the expected synergy capture for both cost and revenue-based synergies and the capital and integration costs associated with obtaining those synergies. Our cost synergy capture efforts yielded $75 million of cost savings in 2016 and we entered 2017 with an annualized run rate of $120 million.

Our procurement and maintenance-related costs and operational savings and the optimization of administrative activities continued to build momentum throughout 2016. We expect additional cost synergies of $50 million to $75 million to be realized in 2017.

During the second quarter of this year we will begin the production and sale of bleach from our Freeport, Texas facility. This is the first major revenue synergy project and one of the key building blocks to our $100 million revenue synergy goal.

Now turning to my final slide, Olin ended 2016 positively with adjusted EBITDA and a seasonably weak fourth quarter reaching the same level that was achieved in the seasonally stronger third quarter. As we enter 2017, there is positive momentum for caustic soda and EDC pricing, improving volumes in the Epoxy business, and positive momentum on synergy capture.

As we have said before, Olin has significant leverage to both caustic soda and EDC pricing. The $10 change in Olin's caustic soda price equates to $30 million of annual adjusted EBITDA and a $0.01 change in EDC price equates to $20 million of annual EBITDA. Olin is positioned for a stronger 2017 and we remain committed to achieving mid-cycle adjusted EBITDA of $1.5 billion.

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

Todd Slater - *Olin Corporation - VP and CFO*

Thanks, John. Let's turn to our 2017 cash flow forecast, which is on slide 11. We expect to generate $295 million of free cash flow before dividend payments and after our $210 million ethylene investment we expect to make mid-year 2017. Our expectation is that by the end of 2017, the combination of debt reduction and EBITDA growth will reduce the net debt to EBITDA leverage ratio to the range of 3 to 3.2 times.

Starting with the midpoint of our full-year adjusted EBITDA guidance of $1 billion on the far left of the waterfall chart, we add back $10 million in taxes as we expect a tax refund in 2017. This reflects expected benefits from the utilization of net operating loss carry-forwards.

Column 3 shows capital spending and investments we expect to make in 2017. The $535 million includes the mid-point of our current forecast for capital spending of $325 million and the $210 million investment for 20 years of additional ethylene at producer economics that will be realized when the Dow chemical company's Texas nine cracker is completed.

Last year, Olin entered into a program to accelerate the collection of receivables, which created a permanent working capital reduction of $126 million in 2016. We expect that we can expand this program in 2017 and realize an additional $50 million reduction in receivables. This, when combined with an inventory reduction in Winchester, will generate $75 million cash flow from working capital in 2017.

In the next column, one-time items include integration and cash restructuring costs of approximately $50 million.

The next column represents an estimate of interest expense. We have approximately 60% variable rate debt in our debt profile and we're forecasting 2017 interest rates will be higher than those we experienced in 2016.

In the far right column, we are forecasting $163 million of free cash flow after paying our normal quarterly dividends totaling approximately $132 million for the year.

Now turning to slide 12. I will review some annual modeling and corporate assumptions in our 2017 forecast. We are forecasting depreciation and amortization expense in 2017 to be in the range of $335 million, which is comparable to the 2016 levels. We are forecasting full-year 2017 defined benefit pension income will be approximately $10 million lower than 2016.

In 2016, we made $7.3 million of pension contributions to our defined benefit pension plans and we expect 2017 contributions to these plans to be less than $5 million. We are forecasting full-year 2017 expenses for legacy environmental, investigatory and remedial activities to return to the more historical level of $15 million to $20 million. As a reminder, in conjunction with the acquisition, Dow has retained liabilities relating to litigation, releases of hazardous materials, and violations of environmental law to the extent arising prior to the acquisition.

Full-year 2017 corporate and other unallocated costs are forecast to increase by approximately $10 million to $15 million. Stock-based compensation, timing of legal and litigation costs, and the full-year effect of increased corporate infrastructure costs to support the acquisition are drivers of the increase. Acquisition-related integrated and restructuring costs are forecast to be approximately $50 million for 2017.

In 2017, we currently believe that the book effective tax rate will be in the 25% to 30% range. As I mentioned earlier, we do not expect to be a cash taxpayer in 2017 and are forecasting a cash tax refund in 2017. This reflects the expected benefits from the utilization of net operating loss carry-forwards created over the last two years and income tax refunds from prior years. We expect net operating loss carry-forwards to provide a cash tax yield of approximately $70 million.

Finally, last Friday, January 27, Olin's Board of Directors declared a dividend of $0.20 on each share of Olin common stock. The dividend is payable on March 10, 2017 to shareholders of record at the close of business on February 10, 2017. This is the 361st consecutive quarterly dividend to be paid by the Company.

Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

The first question comes from Frank Mitsch of Wells Fargo. Please go ahead.

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

Good morning, gentlemen, and nice end to the year.

John Fischer - *Olin Corporation - President and CEO*

Thank you.

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

John, as we sit here today on February 1, where is your caustic soda pricing that you're realizing relative to the Q4 average?

John Fischer - *Olin Corporation - President and CEO*

It's higher.

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

Bigger than a bread box?

John Fischer - *Olin Corporation - President and CEO*

I think I'd prefer to answer that question in terms of comparing where we are right now versus where we are in 2017. We are about $30 higher right now than we were on the full year of 2017 in terms of domestic and we're about $100 higher, which gives you about a $40 to $45 year-over-year improvement. $30 for every $10 million, that tells you what the benefit is.

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

All right, terrific. And, John, as your guidance of $1 billion plus or minus 5%, that $1 billion is predicated on caustic staying similar to where it is today? Are you baking in future prices into that $1 billion guidance?

John Fischer - *Olin Corporation - President and CEO*

The only thing that's in that guidance is what may come out of our assumption of what comes out of the $40 per ton increase that was announced effective January 1.

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

All right. Terrific. Obviously a little bit disappointing on the epoxy front and you did talk about benzene pricing being a head wind here in Q1. I note that you and Hexion are out there with a nickel increase, price increase announcement, on the epoxy side. What has been the receptivity to that price increase announcement and is that enough to more than offset what you're seeing on the benzene and propylene front?

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

Yes, Frank. This is Pat Dawson. We do see traction out there on pricing with the pretty significant increase since end of December to the beginning of January on benzene, especially. I would say we're getting traction. As we said earlier, a lot of our upstream business is tied, our pricing is on the hydrocarbon indexes. And we can offset, we think, 80% of that. But we are slightly behind on the cost curve and working to offset that with additional price increases.

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

All right, that's helpful. Thank you, Pat. Thank you, gentlemen.

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

Thank you.

Operator

The next question comes from Arun Viswanathan of RBC Capital Markets. Please go ahead.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Good morning, thank you. Congratulates on a good quarter. I guess I just wanted to understand your comment earlier. You did say that there's potential for some further increases in 2017. Maybe you can just elaborate on your thinking there. What would drive that?

You've obviously had a fair amount of price over the last couple of quarters. I know the caustic soda contract price was flat in January and it looks like it's probably going to be flat for Q1. How do you see the cadence of pricing going through the year?

John McIntosh - *Olin Corporation - EVP of Chemicals and Ammunition*

Arun, this is John McIntosh. I would make a couple comments on the markets. John talked about what guidance, what numbers are reflected in our guidance. But if you look out further, there are several market sources, third parties that publish information about market direction and I'll just provide some information from IHS that published their report yesterday, January 31.

They pointed to several factors, which to them, which are consistent with what we're seeing, and which, in total, reflect we believe a continuing positive picture for caustic pricing. They talk about the global supply demand balance for caustic soda being balanced to tight driven by a lot of the things we've talked about: capacity changes in Europe, reduced output from China. But they talk about that being a global market condition.

They also reported that North American domestic demand is currently running and is forecast to continue through at least the first quarter at levels that look more like yearly average levels instead of January numbers. So in North America, we were seeing very strong supply/demand situations relative to what we would typically see in a January or even in a first quarter.

They also are reporting strong export demand out of North America. 2016 was a net export level record. They expect that to grow in 2017, potentially setting another record. So when we look at our current book of business and we compare with what other people are saying the markets look like globally, we find reason to believe the caustic market fundamentals continue strong.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Thanks, that's helpful. On your own contracts then, one of the issues last year was kind of a lag in realizing some of the prices and also some of the discounting. You noted 30% to 70%. So first off, I guess, will you be cycling through a lot of the price increases from last year in your legacy contracts? And if so, are you, again thinking multi-year agreements? And then secondly, the 30% to 70%, is that still a valid assumption on what you realize versus the index?

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

Arun, this is Jim Varilek. As far as the contracts, there will be continued movement in the pricing that is lagged. We will see that in the first quarter. Yes, we continue to work on all of the contracts and to improve each one of those as they come up.

Arun Viswanathan - *RBC Capital Markets - Analyst*

And then can you just also give us an update on the natural gas side and your costs overall. Are you seeing any pressure from higher net gas prices and are you hedged? Thanks.

Todd Slater - *Olin Corporation - VP and CFO*

Natural gas, as you know, is up year-over-year compared to this time last year. You look at Henry Hub prices were around $2 and MMBPU and today was $3.20. So far, in the first quarter, you're looking at anywhere from $3.30 to $3.40 on average. As we have said before on hedging, we are, we do have a hedging program. That provides us a risk mitigation against gas price volatility generally for one to two quarters. That better matches our raw material supply cost with pricing actions that we can take.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Great, thank you.

Operator

The next question is from Don Carson of Susquehanna Financial. Please go ahead.

Don Carson - *Susquehanna Financial Group - Analyst*

Yes, just one additional question on caustic. Of the $128 increase in the IHS index in calendar 2016, how much of that did you realize? And hence, what momentum did you have coming into Q1 and first half 2017?

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

I don't know that we're going to get into percentages that we realized on the pricing, but we do have significant momentum going into the first of the year. The dynamics that we have been talking about all through 2016, and John just mentioned, the dynamics are playing out, so we do see good momentum coming into the first quarter.

Don Carson - *Susquehanna Financial Group - Analyst*

Okay. And then shifting to epoxy, almost a year ago to the day, you were looking to generate 2016 EBITDA of about $145 million. You came in around $92 million. How would you break out that shortfall in terms of volume versus higher than expected raw material costs? And do you still see 250 as kind of a mid-cycle potential?

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

Yes, Frank this is Pat. Yes, we still see that 250 as mid-cycle potential. I would say most of the shortfall that we saw came in, in the second half of the year on lower volumes. A lot of that was coating customer related. We saw a little bit deeper seasonal turndown in Q4 versus Q3.

So I would say that overall, we also think that margins are as thin as they have been since 2014 and we think they're about as low as they can go at this point in time. So I think you'll see some variable margin improvement along with volume improvement to see a better 2017 than we did in 2016.

Don Carson - *Susquehanna Financial Group - Analyst*

Okay, thank you. A final question on Winchester. Obviously, the election was very good news for those of us who support the second amendment. But I notice that NICS background checks were down significantly in December. So I'm just wondering, John, you talked about favorable final demand ex this inventory adjustment, but how do you see the final demand flushing out over the course of 2017 versus 2016 for your commercial ammunition business?

John Fischer - *Olin Corporation - President and CEO*

One comment on NICS checks, Don. If you remember in 2015, there was the San Bernardino shooting and that December had an extraordinarily high level of NICS checks compared to any other month in 2015. So that December versus December is probably a difficult comparison.

I think, one, we'd be a lot more interested to see what happens in the first six months of this year, but we believe and we've talked about this that the number of shooters that have been created, new shooters over the last eight months, support a much more robust business going forward than we saw back before the 2008 presidential election.

Don Carson - *Susquehanna Financial Group - Analyst*

Okay. Thank you.

Operator

The next question comes from Jason Freuchtel of SunTrust. Please go ahead.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Hello. Good morning, guys. Great quarter.

John Fischer - *Olin Corporation - President and CEO*

Thank you.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

I believe, pretty recently, you indicated and this is just a follow-up to one of the previous questions, but I think you previously indicated that Olin, during 2016, has realized about 50% the caustic soda market accepted in the market and about a fourth of your contracts are renewed each year. Should we assume that the contracts in 2017 are going to be maybe closer to the 70% of your, the range you quoted?

John Fischer - *Olin Corporation - President and CEO*

I don't want to get into specific contracts because each one's different and each customer negotiation reacts to the conditions that are in the market, so you have different levels of discounts and different terms that get renegotiated. I'd come back to what Jim said is there's a lot of very positive pricing momentum working its way through our contracts as we speak.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay, great. Can you comment on how much more volumes of caustic you were able to sell in 4Q 2016 relative to your expectations coming into the quarter? And with that, can you also provide your utilization rate in the quarter?

John Fischer - *Olin Corporation - President and CEO*

We're not going to provide our utilization rate because a lot of that's internal. I would say we were able to sell more caustic qualitatively in the fourth quarter than we had expected.

Jason Freuchtel - *SunTrust Robinson Humphrey - Analyst*

Okay, great. Thank you.

Operator

The next question is from Aleksey Yefremov of Instanet. Please go ahead.

Aleksey Yefremov - *Instanet - Analyst*

Good morning. Thank you. Turning back to your 2017 guidance, what price assumptions do you have for EDC and export caustic soda?

John Fischer - *Olin Corporation - President and CEO*

I think if you look at IHS for EDC, they provide a nice outlook for what we think because it's an export price. We think our prices will closely follow that. I think if you look at that, you would see something in the neighborhood of a $0.02 per pound increase built in over the course of the year, from where we ended 2016. And I would say the same thing about the IHS index, as it relates to caustic soda export pricing.

Aleksey Yefremov - *Instanet - Analyst*

And so that price increase in EDC would translate to marginal improvement? In other words, you do not forecast an increase in ethane cost in 2017 versus 2016?

John Fischer - *Olin Corporation - President and CEO*

Well, the entirety of our guidance takes into account both the EDC price increase, and our view of ethane, purchased ethylene cost, and obviously, the timing of acquiring the next tranche of cost-based ethylene from Dow.

Aleksey Yefremov - *Instanet - Analyst*

Okay, thank you. So you referenced that your exports account for 10% to 20%. I think in the past you were, on a normalized basis, on the low end of this range. Are you now close to the middle, the high end of this range, as a going rate assumption?

John Fischer - *Olin Corporation - President and CEO*

I think that we have been, if you look at a quarter of the four quarters of 2016, we're at both the high end and the low end. I think that depends on demand patterns. I would say to you, we have the opportunity constantly to optimize our sales, to capture the best margin, by moving it up or down.

Aleksey Yefremov - *Instanet - Analyst*

Thank you. Final question, if I may. In the first quarter, I mean, you mentioned $15 million higher maintenance sequentially. What's some of the other puts and takes? I mean, obviously, higher caustic soda price, et cetera. Do you think with higher caustic and EDC could exceed absolute EBITDA amount that you achieved in Q1 2016?

John Fischer - *Olin Corporation - President and CEO*

Than Q1 2016?

Aleksey Yefremov - *Instanet - Analyst*

Right. Could you be up year-over-year on total EBITDA?

John Fischer - *Olin Corporation - President and CEO*

I think we would feel positive about saying that.

Aleksey Yefremov - *Instanet - Analyst*

Thank you.

Operator

And the next question is from Kevin McCarthy of Vertical Research Partners. Please go ahead.

Kevin McCarthy - *Vertical Research Partners - Analyst*

John, in your prepared remarks, you referenced the improving trade balances in caustic soda, and with regard to Europe specifically, would you update us on how much of the 1.0 million to 1.5 million tons per annum of capacity has come out of the market already, versus how much is still on the come? Just trying to get a sense for any opportunity for incremental improvement there.

John Fischer - *Olin Corporation - President and CEO*

I think right now, what's come out is at the low end, something between 500,000 and 700,000 tons. I think if we were to give you our best guess, we would tell you that the end number will be 1.3 million tons. But that's Olin.

Kevin McCarthy - *Vertical Research Partners - Analyst*

Okay, so in broad strokes, maybe halfway through that dynamic, it sounds like. That's helpful. And then second, to follow up on your options for additional Ethylene from Dow, it sounds like you intend to exercise this year at the $210 million payment.

I believe looking beyond that, you have a third tranche that's available to you in late 2020, if I'm not mistaken. I realize that's a long way away, but it also takes several years for your ultimate customer to build assets. So I guess my question is, sitting here today how would you characterize the potential that you would ultimately choose to exercise that final option for Ethylene?

John Fischer - *Olin Corporation - President and CEO*

Exercising that final option of ethylene was based on Olin's ability to step in to Dow's shoes, and replace Dow as a supplier to another customer. All of that is dependent on reaching a commercial arrangement with that customer.

Kevin McCarthy - *Vertical Research Partners - Analyst*

Okay. Have you commenced those discussions at this stage?

John Fischer - *Olin Corporation - President and CEO*

What I would say is I think at the point in time, if it happens, you will read about it, because it will be a material event.

Kevin McCarthy - *Vertical Research Partners - Analyst*

All right. Fair enough. Thank you very much.

Operator

The next question is from John Roberts of UBS. Please go ahead.

John Roberts - *UBS - Analyst*

Thank you. The two-year anniversary of the Dow deal occurs later this year. You'll have the option to buy back stock after that, but will debt reduction likely still be the priority for a while longer?

John Fischer - *Olin Corporation - President and CEO*

John, it will, yes. I mean we've talked about, you followed us over a long period of time. We're comfortable at a lot lower debt to EBITDA ratio than we are currently running.

John Roberts - *UBS - Analyst*

Okay. And then how long do you think the Winchester destocking process will take?

John Fischer - *Olin Corporation - President and CEO*

Probably, our best guess would be, John, that it would take into the second quarter.

John Roberts - *UBS - Analyst*

Okay, thank you.

Operator

The next question is from Dmitry Silversteyn of Longbow Research. Please go ahead.

Dmitry Silversteyn - *Longbow Research - Analyst*

A lot of my questions have been answered. But I just want to follow up a little bit on the epoxy guidance that you provided. You expect volumes to be up, and obviously costs to be down a little bit and better leverage on these volumes. Outside the coating space, can you talk about where the confidence and growth in epoxy is coming from? In other words what market? Is it just coatings, or are you looking at other markets to recover to help you with epoxy volumes?

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

Yes, this is Pat Dawson again. Listen, I think one of the perspectives is the fact that the North American market contracted in 2016 versus 2015, low percentage points, but still it was a contraction. I don't think things will be worse in 2017 versus 2016. That's point number one.

Point number two is our markets in Europe, end-use applications across a variety of coatings areas, is showing improvement as you see more infrastructure spending in many parts of Europe. The other point, back on oil and gas in North America, we made that in our comments. I think it hit absolute rock bottom. We're not counting on a big recovery there, it is way too early to be optimistic about that. But it certainly won't be worse than it was in 2016.

Overall, I think the whole wind energy market is an area that we have continued to participate in and grow our participation there. I think you'll continue to see some modest improvement in wind, as well.

Dmitry Silversteyn - *Longbow Research - Analyst*

To follow up on your comments about the pass through the nature of your pricing in the upstream and midstream epoxy contracts. How much does upstream and midstream represent of your epoxy segments?

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

We're not going to get into the percentage breakout on that. All I can tell you is that we continue to run those upstream assets harder, we ran them harder in 2016 than we did in 2015. We'll run them harder in 2017 versus 2015. Also that liberates more caustic soda as well, which I think is an important point. My other comments really don't have anything to add, in terms of how we pretty much automatically reflect those hydrocarbon increases in our upstream contract pricing.

Dmitry Silversteyn - *Longbow Research - Analyst*

Okay. So let me ask this maybe a different way. What percentage of your contracts are indexed to raw material cost versus the ones where you have to negotiate price increases?

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

Yes, we're really not going to divulge that. That's pretty confidential information.

Dmitry Silversteyn - *Longbow Research - Analyst*

And then a final question on chlorine pricing, they look to be flat, sequential, I want to make sure what you're seeing is what the market is seeing as far as chlorine price activity. I would imagine your expectation for 2017, since you haven't talked about it is for chlorine pricing to basically -- chlorine supply to basically in balance with demand and chlorine pricing to stay flat. Is that the right way to think about it?

John Fischer - *Olin Corporation - President and CEO*

We see it being flat, and that's the right way to think about it.

Dmitry Silversteyn - *Longbow Research - Analyst*

Thank you, gentlemen. That's all I have.

Operator

The next question is from Charles Neivert of Cowen. Please go ahead.

Charles Neivert - *Cowen and Company - Analyst*

Just want one quick question. How sensitive is the epoxy segment to operating rate? Typically in the commodity side, we see a high sensitivity, as you get to performance, it's a little less. But if you lose 5% or gain 5% operating rate, all else being equal, no mix change or anything else, how much might that affect earnings?

John Fischer - *Olin Corporation - President and CEO*

From an Olin perspective, because we're fully integrated all the way back to chlorine, the leverage on the operating rate is at the highest, at the upstream end, and declines as we work our way through LER into converted resins. So running, as Pat said earlier, the upstream hard, is where there's the most leverage. That's a focus as Pat said.

Charles Neivert - *Cowen and Company - Analyst*

Okay, so any, as you said, the drop off end in volumes is pretty meaningful, in terms of what margin you would get in that group?

John Fischer - *Olin Corporation - President and CEO*

That's correct.

Charles Neivert - *Cowen and Company - Analyst*

Okay, thank you.

Operator

The next question is from Herb Hardt of Monness, Crespi, and Hardt. Please go ahead.

Herb Hardt - *Monness, Crespi, Hardt & Co. - Analyst*

Thank you. Can you give me some sense of what the operating rate was in January versus a year ago? The second question, anything in the export market relative to Mr. Trump's commentary?

John Fischer - *Olin Corporation - President and CEO*

The January operating rate for the industry has not been published. The operating rate for the industry in December was 87%, which was up from November.

Herb Hardt - *Monness, Crespi, Hardt & Co. - Analyst*

Okay. In terms of the administration policies and comments on exports?

John Fischer - *Olin Corporation - President and CEO*

I don't think we have anything that we could add, because I'm not sure we know what it all means yet.

Herb Hardt - *Monness, Crespi, Hardt & Co. - Analyst*

Fair enough. Thank you very much.

Operator

The next question is a follow up from Arun Viswanathan of RBC Capital Markets. Please go ahead.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Great, thank you. Just wanted to actually get back to the synergies. I think previously you had noted that they were going to be $50 million in 2017. You're now talking about $50 million to $75 million, so was that a change? Secondarily, any update on potential revenue synergies as well? Thanks.

John Fischer - *Olin Corporation - President and CEO*

The $50 million to $75 million is a change to the positive. We're feeling very more optimistic about some of our projects. In terms of the revenue, as we said in the prepared remarks, the first big step in the revenue is the first bleach plant in Freeport, which comes onstream some time in the next 90 days.

Arun Viswanathan - *RBC Capital Markets - Analyst*

So just to be clear then, if you're saying we're positive, the full capture is still expected to be $250 million on the cost side, is that right?

John Fischer - *Olin Corporation - President and CEO*

That's correct, yes.

Arun Viswanathan - *RBC Capital Markets - Analyst*

Okay, great. Thank you.

Operator

The next question is from Richard O'Reilly from Revere Associates. Please go ahead.

Richard O'Reilly - *Revere Associates - Analyst*

Good morning, thank you gentlemen. A quick question on Winchester, the inventory reduction. Is this at the retailer distributable level, or is it further down at the consumer level, so to speak?

John Fischer - *Olin Corporation - President and CEO*

It at this juncture is entirely at the retail level.

Richard O'Reilly - *Revere Associates - Analyst*

Okay, so you don't know what the point of sales change has been yet?

John Fischer - *Olin Corporation - President and CEO*

We have seen a decline since the election in point of sales for ammunition.

Richard O'Reilly - *Revere Associates - Analyst*

Okay. Would you think this is a reverse of the post surge as we saw in the previous two elections?

John Fischer - *Olin Corporation - President and CEO*

We believe that what happened was the retailers were looking at what happened after 2008 election, 2012 election, expected a similar political-leaning outcome and didn't, and had built inventory in anticipation to that. When it didn't happen, the inventory levels were too high.

Richard O'Reilly - *Revere Associates - Analyst*

Okay, good. Thank you, then.

Operator

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

John Fischer - *Olin Corporation - President and CEO*

Thank you for joining us today, and we look forward to talking to you in about 90 days when we discuss our first-quarter results. Thank you.

Operator

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