

Eastman Chemical Co. Ticker: EMN Sector: Materials Industry: Chemicals	Intrinsic Value: \$ 93 Current Price: \$75.47 Stop Loss: \$ 61.00 Upside Review: \$ 105	TTM P/E: 13.37 Forward P/E: 10.71 Beta: 1.3	Market Cap: \$ 11.2 billion Dividend Yield: 2.12% 52 Week Range: \$ 67.13 – 90.55
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Business Summary: Eastman is a global specialty chemical company that produces a broad range of products found in items people use every day. With a portfolio of specialty businesses, Eastman works with customers to deliver innovative products and solutions while maintaining a commitment to safety and sustainability. Its market-driven approaches take advantage of world-class technology platforms and leading positions in attractive end-markets such as transportation, building and construction and consumables.

Industry Trends: The Chemical Industry continues to garner favor as investors look for relatively safe places to park their investment capital. Many of the companies within this industry are large-scale producers of chemical materials that support a wide array of industries across diverse geographic regions. This helps to mitigate slowdowns that occur in specific products or regional segments. With streamlined operations, these companies ought to see above-average gains once the global economy gets back on track.

Investment Thesis: Eastman Chemical's diversified chemical portfolio, along with its integrated and diverse downstream businesses remains its strength. It is gaining from synergies of acquisitions and cost-cutting measures. The recently completed purchase of specialty chemical company Taminco Corporation for \$2.8 billion will fortify the company's foothold in attractive niche end-markets including food, feed and agriculture. Eastman Chemical expects the Taminco buy to be accretive to its earnings 35 cents per share.

Competitive Analysis:
Eastman has been very active with acquisitions as it looks to further branch out across a broad range of businesses which include: food, feed, agriculture, personal care, oil and gas, and coatings. Eastman Division is comprised of the following segments: CASPI, PCI, and SP.

Eastman does not believe that any of its competitors is dominant within the CASPI segment's markets. Further, the Company attempts to maintain competitive advantages through its level of vertical integration, breadth of product and technology offerings, low-cost manufacturing position, consistent product quality, and process and market knowledge. In addition, Eastman attempts to leverage its strong customer base and long-standing customer relationships to promote substantial recurring business, further strengthening its competitive position.

In PCI segment, it maintains a strong position due to a combination of its scale of operations, breadth of product line, level of integration and technology leadership.

It maintains competitive advantages over its competitors in the SP segment throughout the product life cycle.

Risk Factors:

- Strong US dollar.
- Volatile oil prices.

5 Year Stock Performance: (Yahoo!)



Total Return Estimates

3 Yr FV Reversion: 9%
5 Yr FV Reversion: 6%

Key Valuation Assumptions

Est Revenue Growth: 4%
WACC: 8.06%
Expected Inflation: 1.7%
Terminal Growth Rate: 3%
10 Yr Risk Free Rate: 2%
Equity Risk Premium: 6%
Tax Rate: 28.00%

Key Financial Data

Est 2015 EPS: \$7.41
Est 2016 EPS: \$7.7
3-5 Yr Est EPS Growth: 6%
PEG (TTM): 1.5
Credit Quality: BBB/Baa2
ROE: 28.9%
ROA: 9.1%
Price/Book: 2.87
Price/Cash Flow: 7.8
Debt/Equity: 1.12

CSR Characteristics (This Stock/Industry)

Human Rights: 0/1 Business Ethics Policy: 1/1
ESG Disclosure: 38.02/37.11 Equal Opportunity: 1/1
Emission Reduction: 1/1 Environment Disclosure: 24.81/34.23

Competitor Comparison:

Direct Competitor Comparison					
	EMN	BASFY	CE	PVT1	Industry
Market Cap:	11.14B	N/A	8.83B	N/A	2.35B
Employees:	15,000	113,351	7,468	N/A	1,88K
Qtrly Rev Growth (yoy):	0.04	0.03	-0.04	N/A	0.09
Revenue (ttm):	9.53B	84.28B	6.80B	N/A	2.36B
Gross Margin (ttm):	0.29	0.25	0.24	N/A	0.25
EBITDA (ttm):	2.06B	11.37B	1.06B	N/A	311.35M
Operating Margin (ttm):	0.17	0.10	0.11	N/A	0.07
Net Income (ttm):	749.00M	5.62B	631.00M	N/A	N/A
EPS (ttm):	4.99	6.11	4.00	N/A	0.73
P/E (ttm):	15.11	15.43	14.46	N/A	19.64
PEG (5 yr expected):	1.37	4.06	1.24	N/A	1.23
P/S (ttm):	1.15	N/A	1.29	N/A	1.11

BASFY = BASF SE
CE = Celanese Corporation
Pvt1 = ExxonMobil Chemical Company (privately held)
Industry = Chemicals - Major Diversified

Information from: Bloomberg, Value Line, S&P Net Advantage, Yahoo

Prepared by Ming Dai (Feb 20, 2015)