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DuPont de Nemours, Inc. (DD)

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CORPORATE PARTICIPANTS

Leland Weaver
Vice President of Investor Relations, DuPont de Nemours, Inc.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

OTHER PARTICIPANTS

C. Stephen Tusa
Analyst, JPMorgan Securities LLC

John G. Inch
Analyst, Gordon Haskett Research Advisors

Scott Reed Davis
Analyst, Melius Research LLC

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc.

Steve Byrne
Analyst, BofA Securities, Inc.

John Roberts
Analyst, UBS Securities LLC

Michael Sison
Analyst, Wells Fargo Securities LLC

Arun Viswanathan
Analyst, RBC Capital Markets LLC

Aleksey Yefremov
Analyst, KeyBanc Capital Markets

MANAGEMENT DISCUSSION SECTION

Leland Weaver
Vice President of Investor Relations, DuPont de Nemours, Inc.

Good morning, everyone. Thank you for joining us for DuPont's First Quarter 2021 Earnings Conference Call. We're making this call available to investors and media via webcast. We have prepared slides to supplement our comments during this conference call. These slides are posted on the Investor Relations section of DuPont's website and through the link to our webcast.

Joining me on the call today are Ed Breen, Chief Executive Officer; and Lori Koch our Chief Financial Officer.

Please read the forward-looking statement disclaimer contained in the slides. During our call, we will make forward-looking statements regarding our expectations or predictions about the future. Because these statements are based on current assumptions and factors that involve risk and uncertainty, our actual performance and results may differ materially from our forward-looking statements.

Our 2020 Form 10-K as updated by our current and periodic reports includes detailed discussion of principal risks and uncertainties, which may cause such differences. Unless otherwise specified, all historical financial measures presented today exclude significant items. We will also refer to other non-GAAP measures, a reconciliation to the most directly comparable GAAP financial measure is included in our press release and posted to the Investor page of our website.

I'll now turn the call over to Ed.

Edward D. Breen

Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

Thanks, Leland. Good morning, everyone, and thank you for joining us. I will provide comments on the strong start that we had to 2021, including the advancement of a number of strategic priorities to make DuPont a premier multi-industrial company equipped for growth and value creation. But first, let me acknowledge the tremendous dedication and determination of our teams around the world as we continue to manage the extraordinary circumstances of this pandemic. The health and well-being of our people remains our top priority. The principles and protocols we've implemented globally and locally to help to protect our people and ensure business continuity, as countries face multiple waves of infection and lockdowns.

As an innovation-led company, we believe in science and we're encouraging all employees to get vaccinated. And where possible, we're working with public health authorities to facilitate access and distribution.

Starting on slide 2, I will note that one of our priorities for generating value is consistent operating performance and financial results. This morning we announced strong, top line and earnings results for the first quarter, both above our expectations. Lori will take you through the details in a moment. But I'd like to highlight the 7% organic revenue growth that we reported, reflecting broad and strong demand in key markets such as semiconductors, smartphones, water, residential construction and automotive.

This revenue growth, along with continued cost discipline, led to strong operating leverage, and even a margin expansion in the quarter. Our first quarter financial results reflect the agility of our teams to navigate through a challenging environment while facing escalating raw material and logistics costs as well as global supply constraints of key raw materials, most notably in our M&M segment.

With strong order trends continuing and confidence in our team's ability to navigate the supply chain challenges, we are raising our full year guidance for net sales, operating EBITDA and adjusted EPS. I will provide more details regarding this increase shortly.

In addition to our financial results, we advanced a number of our strategic priorities during the quarter. First, as previously announced, we completed the merger of our Nutrition & Biosciences business with IFF, creating an industry-leading company in the food and beverage, home and personal care and health and wellness markets.

As you know, this transaction also unlocks significant value for DuPont and our shareholders. As part of the transaction, we received $7.3 billion in cash from IFF and retired slightly more than 197 million DuPont shares or about 27% of our outstanding shares at the time, with no cash outlay.

We strengthened our balance sheet during the quarter by paying down our $3 billion term loan, and we will redeem $2 billion of our long-term debt later this month. As a reminder, our next debt maturity will not be due until the fourth quarter of 2023. In line with our balanced approach, we returned about $660 million of capital to shareholders during the first quarter through share repurchases and dividends.

Under our existing share buyback program, we executed $500 million in share repurchases during the first quarter. As reminder, we have about $500 million of repurchase authorization remaining under that program, which we intend to utilize by June 1 of this year.

Earlier this quarter, we also announced that our board of directors authorized a new $1.5 billion share buyback program, which expires on June 30, 2022. We plan to be opportunistic under the new program as we move throughout the year.

With respect to dividends, we returned about $160 million in cash to shareholders during the quarter, as we previously mentioned. Going forward, we will target a payout ratio between 35% and 45%. And we intend to work with our board to increase our dividend annually as we grow our earnings.

In March, we announced a definitive agreement to acquire Laird Performance Materials for $2.3 billion. When completed, the planned acquisition of Laird advances DuPont's strategy of growing as a global innovation leader and strengthens our leadership position in advanced electronic materials. The Laird business will complement our Interconnect Solutions business within E&I, and it will add critical capabilities and market-leading offerings in thermal management and electromagnetic shielding, which are essential to emerging electronic applications.

Our E&I team, along with our customers are excited for this opportunity. We recently received regulatory approval for the transaction in Germany and Brazil and cleared HSR in the US last month. As previously indicated, we expect the transaction will close in the third quarter this year.

Finally, we announced previously that we have signed definitive agreements to sell our Biomaterials, Clean Technologies and Solamet businesses. We anticipate receiving more than $900 million in gross proceeds from those divestitures, and we expect those transactions to close in the second half of this year.

Before turning it over to Lori to go through the details of the first quarter, I'd like to take a moment to provide some context regarding what we saw during the quarter in our key end markets that we serve. Combined, the electronics and automotive markets account for nearly half of our revenues. Electronics continues to perform very well, and auto is recovering nicely from its 2020 lows.

Within electronics, demand continues to be broad-based as the ramp-up of advanced technology nodes and a need for more memory to servers and data centers has accelerated. The server market, which is a large consumer of semiconductor chips and circuit board chemistries, continues to show strength and is expected to remain robust as Internet network traffic continues to grow.

Furthermore, the deployment of 5G infrastructure by leading telecom companies in preparation for the next generation of ultra-high-speed data transmission should help sustained demand for premium smartphones, which is further enhanced by our favorable content play.

With respect to the automotive end market, demand is well above the lows of 2020 but not yet back to 2019 levels, which saw 22.9 million vehicles produced in the first quarter and nearly 90 million units for the year. The lack of stable supply of critical components, mainly semiconductors, impacted the ability of the auto OEMs to produce more vehicles and rebuild inventories during the quarter. Given where we participate in the value chain within M&M, I think it's important to note that our first quarter engineering polymers volumes were not materially affected by the chip shortages as our demand from the Tier 1 and Tier 2 suppliers was not lessened as a result of the chip shortage.

However, our ability to supply customers was affected by supply constraints of key raw materials, predominantly in our nylon and polyester product lines. This supply situation is gradually improving, but we anticipate several critical products will continue to constrain our production through the end of the second quarter. We expect that any lost sales as a result of raw material constraints will be captured in the second half of the year.

Additionally, we believe that the automotive market will remain strong for the balance of the year as OEMs look to meet robust demand, as well as replenish global inventories, which are currently below historical averages.

Moving on to the water and construction end markets. Collectively, these two markets account for approximately 20% of our total company sales. Versus first quarter of 2019, demand for advanced water filtration and purification has strengthened, led by solid growth in Asia Pacific. Strength in residential and commercial water markets as well as industrial and desalination segments has fueled growth.

For construction, North America residential and do-it-yourself markets are up versus first quarter 2019. And while demand within the commercial construction segment has improved from the lows experienced in 2020, it is not back to 2019 levels. Lastly, demand within our industrial end markets versus 2019 levels is mixed. Within the electrical infrastructure and Tyvek protective garment markets, demand is at or above 2019 levels.

However, demand in end markets such as aerospace and oil and gas is still below 2019 levels, but has improved since the lows of the second and third quarter of last year. Sequentially, our sales into aero and oil and gas were up over 40%.

Our diversified portfolio of products and technologies will serve us as the global economy continues to recover from the pandemic. We are continuing to invest at competitive levels in R&D and innovation to further solidify our strong market positions and maintain our position as the partner of choice for our customers in 2021 and beyond.

With that, let me turn it over to Lori to walk through the details of our first quarter financial performance.

Lori D. Koch

Chief Financial Officer, DuPont de Nemours, Inc.

Thanks, Ed, and good morning, everyone. Let me cover our first quarter financial results on slide 4. As Ed said earlier, I'd also like to acknowledge the commitment of our employees throughout the pandemic and our team in navigating through supply chain and logistics headwinds this quarter to deliver solid results. Net sales of $4 billion were up 8% versus the first quarter of 2020, up 7% on an organic basis. Overall sales growth was driven by strong volume, up 7% versus first quarter of last year, with volume increases in all three reporting segments.

Currency provided a 3% tailwind in the quarter led by the euro. Portfolio was a 2% headwind, primarily due to the sale of the trichlorosilane business last year. Sales were up in all three segments with C&I, M&M and W&P reflecting organic growth of 14%, 8% and 1%, respectively. On a regional basis, organic sales were up 20% in Asia Pacific, our largest region from a sales perspective, with strong results in all three reporting segments. Partially offsetting gains in Asia Pacific were organic sales decline in the US and Canada, and EMEA of 4% and 2%, respectively. The declines in US and Canada and EMEA were driven by softness for aramid fibers, specifically continued softness in aerospace and timing delays in events, as well as auto builds, which were down in these regions.

I'll provide more color on our segment top line results on the next slide. From an earnings perspective, we delivered operating EBITDA of $1.05 billion and adjusted EPS of $0.91 per share, up 15% and 90%, respectively. Volume gains as well as benefit from prior year cost initiatives and currency drove 160 basis points of operating EBITDA margin expansion and 1.9 times operating leverage. Incremental margins for the quarter were 46%. I will walk you through the EPS waterfall in a moment.

For total company, gross margin for the quarter was 36.8%, flat on a year-over-year basis. Gross margin improvement in E&I and M&M on higher volume and manufacturing productivity was offset by margin decline in W&P, resulting from higher unit rates versus the prior year, driven primarily by lower production volumes of aramid fibers. Gross margin expanded about 280 basis points sequentially with margin improvement in all three segments.

From a segment perspective, E&I delivered operating EBITDA margin of 33.5% and 420 basis points of margin expansion versus the year ago period on strong volume growth and a onetime discrete gain related to an asset sale. Excluding the benefit of the asset sale, operating EBITDA margin would have been 31.7%, year-over-year improvement of 240 basis points.

M&M delivered operating EBITDA margins of 22.9% and 320 basis points of margin expansion versus the year ago period on higher volumes and savings from productivity actions.

In W&P, operating EBITDA was flat versus the year-ago period as sales gains and cost productivity actions were offset by higher manufacturing costs, primarily higher unit rates driven by lower production of aramid fibers and increased supply chain costs.

For the quarter, cash flow from operating activities and free cash flow were $378 million and $95 million, respectively. These amounts include one month of cash flow from our N&B business compared to three months of N&B cash flows in the prior year.

In addition, cash flow and free cash flow conversion was negatively impacted by a working capital headwind of about $300 million, led by higher accounts receivable balances, which were up in line with sales. For the year, we continue to target free cash flow conversion of greater than 90%.

Slide 5 provides more details on the year-over-year changes in net sales. Leading the way for the quarter was E&I with 15% volume growth and had a record quarter. Volume gains were led by double-digit growth on robust demand for semiconductors across Asia.

High fabrication utilization rates driven by demand for new technologies in advanced nodes, along with the ongoing shift in digital transformation drove strong top line growth. In addition, share gains from recent wins for CMP slurries and lithography materials improved results.

In Interconnect Solutions, double-digit growth was driven by higher material content in premium, next-generation smartphones, partially resulting from timing shifts as select OEM demand shifted earlier in the year this year, along with broader printed circuit board market recovery.

Within Industrial Solutions, double-digit volume gains in display materials due to neutralized margins more than offset continued weakness in aerospace. The end markets within W&P were generally consistent with our expectations. Sales gains were led by Water Solutions with double-digit volume growth, reflecting strong demand for our reverse osmosis and ultrafiltration technology, led by Asia.

Shelter Solutions had low single-digit organic growth versus the year ago period, reflecting high single-digit organic growth in residential construction and retail channels for do-it-yourself application, offset partially by softness in commercial construction market.

Within Safety Solutions, pricing gains, favorable currency and strengthening demand for aramid fibers in industrial and automotive end market was more than offset by continued weakness in aerospace and year-over-year volume declines for Tyvek. Lower Tyvek production volumes were a result of higher planned downtime in the quarter.

Also contributing to strong first quarter top line growth was continued recovery of the global automotive market, which represents about 60% of our M&M segment from an end market perspective. In the most recent estimate of 1Q, global auto sales were about 20.3 million units during the quarter, up approximately 14% versus the first quarter of last year.

As a result, volume in our Performance Resins business was up over 20% versus the year ago period. Another bright spot in M&M was improved demand for Microcircuit Materials, which we aligned to the M&M segment earlier this year. These specialized materials, along with adhesive growth, helped drive over 20% organic growth in Advanced Solutions versus the year-ago period.

Demand in our engineering commerce business was strong. However, global supply constraints for key raw materials resulted in low single-digit volume decline. Our teams are experienced in navigating 3D challenges and have worked diligently with our customers and suppliers to help mitigate the impact incurred as a result. Additionally, we expect to recover volume lost in the quarter due to these disruptions and raw material constraints [indiscernible] (00:20:35).

Turning to slide 6. I mentioned that adjusted EPS for the quarter of $0.91 was up 90% versus the prior year. The largest driver of our year-over-year growth was a significantly lower share count, mainly resulting from the N&B exchange offer. The lower share count provided a $0.16 benefit versus the prior year. Excluding the lower share count, adjusted EPS growth was still significant, up 56% versus the prior year. Higher segment earnings provided a $0.13 tailwind in the quarter versus the prior year, along with benefits associated with the lower base tax rate and reduced interest expense.

Our base tax rate for the quarter of 19.4% was lower than forecasted as a result of a few discrete tax benefits in the quarter. Our tax rate in the quarter was significantly lower than last year, resulting from the absence of certain discrete tax headwinds incurred in the prior year. For the full year 2021, we now expect our base tax rate to be in the range of 21% to 22%, down slightly from the 21% to 23% that we previously estimated at the beginning of the year.

Turning to slide 7, I will provide some commentary on our balance sheet and cash position. I mentioned earlier that net working capital provided headwinds to free cash flow in the quarter. However, I would like to point out the net working capital productivity gains of about $600 million that we have made in the first quarter of last year, decreasing net working capital from about $3.5 billion at March of 2020 to $2.9 billion at March of 2021 mostly through driving down past-due receivables and inventory.

From a debt perspective, we have stated that we are committed to maintaining our current strong investment-grade credit profile. We started the year with $15.6 billion in gross debt. And as Ed mentioned, we paid down our $3 billion term loan in February, and we will pay down $2 billion of debt later this month.

Moving on to cash. Our cash generated from operations last year put us in a strong cash position coming into this year, and that balance grew with a $7.3 billion special cash payment from the transaction with IFF. In addition, we expect to receive over $900 million in gross proceeds this year from the previously announced sale of the non-core businesses. Our current deployment plan for 2021 includes a balanced capital allocation approach.

Along with our plans for internal investment this year, we plan to grow through targeted M&A in areas of secular growth and will fund the $2.3 billion planned acquisition of Laird Performance Materials with cash on hand. We intend to continue to return cash to shareholders. Along with our dividend policy, we completed $500 million of share repurchases in the first quarter at an average price of about $73 per share and will remain opportunistic with our remaining share repurchase authorization throughout the rest of the year. On a go-forward basis, our target run and maintain cash balance is about $1.5 billion and from a leverage perspective our net-debt-to-EBITDA target remains at 2.75 times.

With that, I'll now turn it back over to Ed to talk about our financial outlook.

Edward D. Breen

Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

Thanks, Lori. Let me close with our financial outlook on slide 8, which includes our view of the second quarter and full year 2021. We are raising our full year guidance range for net sales, operating EBITDA and adjusted EPS. At the midpoint of the range provided, we now expect net sales for the year to be about $15.8 billion, which reflects year-over-year growth of 10%, up from our previous estimate of 8% growth. We expect to improve leverage and now expect operating EBITDA for the year to be about $4.03 billion, at the midpoint of the range provided, a year-over-year increase of 17%. These revised estimates reflect our solid start to the year and confidence in our team's ability to continue to navigate through global supply chain challenges.

We are also raising our adjusted EPS range for the full year by $0.30 per share and now expect adjusted EPS of $3.67 per share at the midpoint of the range provided. In addition to the strong operating performance of our businesses, the share repurchases we are completing under our existing programs and the narrowing of our estimated tax range, as Lori mentioned earlier, are contributing to the revised EPS estimates.

For the second quarter 2021, we expect net sales to be about $3.975 billion, and we expect operating EBITDA to be about $1 billion, both at the midpoints of the range provided and both well above the results of the second quarter last year. At the midpoint of the range provided, we expect adjusted EPS for the second quarter 2021 of $0.94 per share, which now reflects the full reduction in shares resulting from the N&B exchange offer in our weighted average share count.

With that, let me turn it over to Leland to open up for Q&A.

Leland Weaver

Vice President of Investor Relations, DuPont de Nemours, Inc.

Thank you, Ed. Before we move to the Q&A portion of our call, I would like to remind you that our forward-looking statements apply to both our prepared remarks and the following Q&A. [Operator Instructions] Operator, please provide the Q&A interactions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first response is from Steve Tusa with JPMorgan. Please go ahead.

C. Stephen Tusa
Analyst, JPMorgan Securities LLC

Q

Hey, guys. Good morning.

Leland Weaver
Vice President of Investor Relations, DuPont de Nemours, Inc.

A

Hey, good morning, Steve.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Good morning.

C. Stephen Tusa
Analyst, JPMorgan Securities LLC

Q

Can you just maybe talk about the sequential kind of dynamics in your business into the second quarter and second half? I mean on the one hand, you guys are having some supply constraints, which I guess is – has hurt volumes a bit. But then on the other hand, I'm sure that there's some kind of urgency around ordering in maybe the electronics side, seen some pretty big book-to-bills that guys like Tyco Electronics that are – suggest that customers may be stocking up and kind of double ordering perhaps what they can. Everybody is kind of scrambling to get supply, I guess. It muddles the sequential. Maybe if you could just talk about what you see as kind of the sequential activity in those key stress areas heading into the second half?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yes. I'll start and maybe Lori wants to jump in. If I may, and I don't think our normal cyclicality plays out this year because of what you just described, very different dynamics this year. I'd say one of the biggest issues is really the inflation cost on raw materials here and then the pricing action that we can take. So that's a pretty big dynamic for all of us that you see reporting here.

But by the way, the first quarter, the cost deflation was very little. It was about $20 million. We expect in the second quarter that lifts to about $90 million. And we expect the full year impact of raw material inflation to be about $300 million. So it kind of goes up to kind of $90 million to $100 million in the second quarter and holds there for the year, which gets you kind of the $300 million.

So we've been in a constructive price market, Steve, and we think we'll catch most of the second quarter inflation, but maybe not all of it as we have some contracts that are 30, 60 days. But we're very confident that we'll be able to cover rolls; when you look at the year in total that we'll be able to make that up. So we're expecting for total DuPont for our pricing to be up low single digits for the year. But clearly, more so in the M&M division where a lot of the raw – inflation is – no price increase in electronics, simply because you don't get it there. You get it with new product introductions that you get paid and some price increase in water and protections – within water and the safety business specifically. So I'd say that's a big dynamic there.

And then from a kind of a revenue standpoint, I'd say the other big dynamic is because of the raw material constraints that we're seeing. When we did the fourth quarter call, Lori and I talked about a $60 million to $80 million miss in sales that we were expecting in the quarter. Then you had the freeze down in Texas. So we think it's – we missed out on about $100 million of sales in the quarter, which is $20 million to $25 million of EBITDA. We expect another $100 million in the second quarter, $100 million to $120 million of missed revenue.

But like you're hearing from all the others, we're not going to lose the business. We will make it up as the constraints work their way through because everyone's kind of dealing with the same issue here. So I'd say that's the large dynamics of sequentially and then going into the second half of the year. All the end markets, Steve, played out the way we thought they would. The ones we thought would be hot were hot. The ones we thought would be soft, like commercial construction, residential, oil and gas are all lifting nicely over the lows of last year, but not back to 2019 levels. So we expect that to continue through the year also.

C. Stephen Tusa
Analyst, JPMorgan Securities LLC

Q

Okay. Great. Thanks a lot for the color. I appreciate it.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Thanks.

Operator: Thank you. Your next response is from John Inch of Gordon Haskett. Please go ahead.

John G. Inch
Analyst, Gordon Haskett Research Advisors

Q

Good morning everybody.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Good morning, John.

John G. Inch
Analyst, Gordon Haskett Research Advisors

Q

Good morning. I would like to just pick up on that theme. So Ed, when you're saying you missed $100 million of sales in the first quarter, roughly $100 million to $120 million expected in the second quarter. Does that imply then that the second half is up $200 million to $220 million more than it would have been if you haven't had these supply chain disruptions, like you're going to see that in terms of sequential growth – or I'm sorry, in terms of the year-over-year growth dynamic? And doesn't that create a bit of a tough compare or is that not the way to think about it?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yes. First of all, I'm not sure this will resolve itself in the year either. You've heard quite a few suppliers talk about this going potentially into next year, depending on what it is. So inventory levels in the autos chain are very, very low in the supply chain itself. Finished goods are low. You still got the semiconductor issue that's going to mute things, which I've heard most people think is going into 2022. So I think you got that dynamic going on here. So I wouldn't gauge at all, just throwing it into the second half of the year at all.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Yes. I think the guidance that we provided essentially assumes that similar quarter for revenue as we saw in 1Q, so pushing $4 billion between – around $3.9 billion, actually $4 billion range in the second quarter. And then if you look at the full year outlook, you get back into a similar number in the back half of the year. So whatever upside we may see from the M&M portfolio getting back that lost volume in the first half, there still tend to be a little bit of seasonality in our results that would offset that, still land at a flat number dollar-wise from a revenue perspective.

John G. Inch
Analyst, Gordon Haskett Research Advisors

Q

Okay. So no, that makes sense. And then just as a follow-up, can you remind us, how big is DuPont in India? And I mean India is obviously in the news as COVID sweeps that country. I'm just wondering does Tyvek garments, do they have much of a presence there? And didn't really seem to hurt your Asia-Pac numbers this quarter. Does it create for a little bit of a headwind in future quarters?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

No. India is not a big impact at all right now. One of the biggest upsize for us though is India in the Water business. That's a real key market for us, but it's not that big in the scheme of things yet. So no, it didn't have any significant impact for us.

John G. Inch
Analyst, Gordon Haskett Research Advisors

Q

Thanks very much.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

If we add N&B in the portfolio, it would have been bigger, but that was really where our bigger presence was in our portfolio.

John G. Inch
Analyst, Gordon Haskett Research Advisors

Q

Yeah. Makes sense. Thanks very much.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Thanks, John.

Operator: Thank you. Your next response is from Scott Davis of Melius Research. Please go ahead.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Hi. Good morning, Ed and Lori and Leland.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Good morning, Jeff.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Good morning.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Just wanted to follow up a little bit on comments that Steve made just about supply chain and John as well. But are you seeing kind of any unusual purchasing patterns by your customers? Are your customers double ordering or any kind of unusual inventory build?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Scott, we don't think much. I mean, we sized a couple of customers we know they were building inventory. It's some in Asia that we think preorder, but it was like $30 million to $40 million business. We're not seeing it because people just can't get their hands on enough right now. I mean there's so many force majeures out the across the supply chain, by the way, again, mostly in the auto business I'm talking about that I don't see inventory build in the channel. And you know historically, finished goods in autos is very low right now globally. So, no, we don't see a lot of that. Are people trying to double order? I think there's some of that going on, but everyone's getting allocated product at this point in time. So it's not like they're able to build an inventory base.

I use DuPont as an example. Our inventory went up about $100 million. And it's mostly in our M&M business and we couldn't get it up with the other rolls to get the product out the door. So we didn't plan on – we're not double ordering. We just couldn't get it out of the door to have a finished good. So again, in the scheme of our numbers, that's not a big deal. But I'm sure there's a decent amount of that going on, but I wouldn't call it double ordering to stockpile.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Okay. Good. Helpful. And then just a different cleanup here is just what was the average price of the asset sales that you made, just any valuation metric that we can think about?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

You mean for the noncore businesses that we're divesting?

Scott Reed Davis
Analyst, Melius Research LLC

Q

Yeah, for the noncore business stuff.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Yeah. We had mentioned somewhere in the range of a 6 to 8 times EBITDA multiple on those businesses.

Scott Reed Davis
Analyst, Melius Research LLC

Q

Okay. Okay. Helpful. Thank you. Good luck guys.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Thanks, Scott.

Operator: Thank you. Your next response is from Jeff Sprague of Vertical Research Partners. Please go ahead.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

Thank you. Good morning everyone. Two for me. One, just on this theme, a little bit one more item for me anyhow. On Interconnect, Lori, that sounded like maybe it wasn't pulled forward, but demand was – the demand pattern was different than what you would typically see. Could you just elaborate on kind of what you said and meant there as you went through that segment?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Sure. I think you said it correctly. So we did see a little bit of acceleration from an order perspective in the first quarter and probably the first half versus what we normally see from some of the smartphones provider. So from a side perspective probably about a $10 million benefit for the quarter. They're not hugely material for DuPont or material for the Interconnect Solutions segment. If you look at the full year, we've got Interconnect Solutions we expect to be up kind of in the mid-single-digits, so it will normalize as the year goes on. Part of that is due to a very strong comps from last year. So if you recall, in the fourth quarter of last year, we could see very strong results in Interconnect as some of those producers pulled some volume into 2020 as well.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

And then secondly, Ed, just on the M&A front, you're able to acquire Laird here at what looked like a pretty decent price. And I just – I've noticed there's been a few deals going on kind of in some of the spaces I travel that the valuations actually, all things considered, are not off the chart. So I just wonder if you're seeing that kind of what your confidence level on being able to do bolt-ons here at a reasonable valuation as we progress through the year?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yeah. So, Jeff, we're looking at a couple bolt-ons. One of them is exactly what we've described the last couple of quarters in the water space. I think what we're looking at is very similar to Laird where with synergies, high confidence in – by the way, cost synergies we can it get it at a multiple that makes sense for DuPont, or by the way, we just won't buy it. We just don't know that final answer yet.

So yes, I think there's some of those opportunities out there to do that. In some of the spaces we really like there's going to be some great secular growth areas for us in the future. But I'm not talking huge things at this point in time. As I always say, we'll always look at transformative moves if it makes sense for the company if something comes along. But these are truly a couple bolt-ons in the hundreds of millions, not billions that we're looking at. But similar dynamic I would say to Laird. So maybe to your question, yes, those opportunities are there for us.

Jeffrey Todd Sprague
Analyst, Vertical Research Partners LLC

Q

Great. Thank you for the color.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Thanks, Jeff.

Operator: Thank you. Your next response is from David Begleiter with Deutsche Bank. Please go ahead.

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. Good morning.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Good morning, David.

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Can you talk a little more about Tyvek? You mentioned a shift back to the more traditional industrial business going forward, I guess, versus some tough comps versus a year ago in protective?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Yeah. I think what we had mentioned about Tyvek in the quarter was garment volume. It ebbs, it wanes. We will just pick volume back up in some of the more medical or industrial end markets, so from a demand perspective, there's not a headwind overall. The headwind that we saw in the quarter was more so around production capabilities. And so we have pushed some of our planned maintenance activity that was planned for 2020 into 2021 just given the COVID response that was needed in last year. And so that tamped down the volume that we were able to produce and then sell in Q1. If I were to size it, I would probably size it around $20 million in headwinds in general for Tyvek.

And back on the comment on the garment demand potentially maybe picked up by other end markets, it's a similar margin profile. So there's no headwind there from that perspective.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

And we're sold out on those assets. So as we move things around, it's not like we're picking up extra volume right now. We'll get the same margin impact. And that's why our biggest CapEx program is a new line Ligne 8 over in Europe that will come on in 2023. It's our single biggest CapEx program, and we're flat out.

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc. Q

Got it. And, well, just on working capital for the full year, what do you think you'll end up when it is all done?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc. A

Yes. I expect to drive improvement from where we were in the first quarter, and that also translates to improvement in free cash flow conversion. But we'll continue to target greater than 90% in the year, which implies a significant improvement from where we were in Q1. So Q1 was really a function of the higher sales that we were up about 8% in sales. That translated to about a 7% increase in AR. And as Ed had mentioned, we were opportunistic in buying raws when we could get them, which drove the inventory increase.

So I would expect on a full year basis I see it right now for working capital to be of use, just given the top-line growth that we're expecting, probably more so in the $200 million range, so improvement coming out of Q1. But I think more importantly, the measure that we pay attention to is net working capital term. And so we saw significant improvement last year to the tune of ending the year at about 5.2 turns. And we'll look to target at about 5.3 turns as we close the year.

David I. Begleiter
Analyst, Deutsche Bank Securities, Inc. Q

Very helpful. Thank you.

Operator: Thank you. Your next response is from Steve Byrne, Bank of America. Please go ahead.

Steve Byrne
Analyst, BofA Securities, Inc. Q

Yes. Thank you. This Water Solutions business of yours seems to be increasingly a growth engine for you. Can you split that growth between municipalities that are using your technology to purify drinking water versus industrial applications? And on the industrial side, do you see any opportunity down the road, not so much on the purification side, but on the filtrate side, such as trying to extract particular materials like lithium?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc. A

Yes. I think the growth, a lot of it is coming from the desalination side. Also, we have a large growing – it's small today, but a fairly nicely – opportunity within the residential space. And so we've now got the leading technologies from all three applications between reverse osmosis, ion exchange and ultrafiltration in our acquisitions. So we feel comfortable, and as Ed had mentioned, continue to look at opportunities for us to expand our presence there. So I think filtration continues to be a large opportunity for us as well. So as you had mentioned, whether it's lithium or other types of filtration, we will continue to be a big player in that space.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc. A

Yes. I mean, with all of us with our ESG goals out there in the industrial world, I mean, the secular growth opportunity here looks like it's going to be pretty awesome for the next couple decades. So I mean, we all have metrics we're trying to hit on clean water, and we all have these facilities around the world. So it should be a really nice opportunity. And one of the reasons we would like to grow this business organically and inorganically.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

And I think another opportunity in addition to the ESG is the potential underneath the infrastructure plan. It has targeted investments in the water filtration and water purification space.

Steve Byrne
Analyst, BofA Securities, Inc.

Q

And just to follow up on this Laird acquisition, and as you mentioned, some cost synergies, but do you – how would you compare that opportunity versus your ability to maybe cross-sell since that will be a drop in and it's some different technologies and chemistries that you don't seem to have? So is it a cross-selling opportunity and/or maybe an expansion of some of their technologies into new end markets? Do you see any opportunities to do that as well?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

It's definitely – look, we want to close it to cross-sell, when you get right down, the way that it broadens out the portfolio very significantly in a couple of key technology areas that are needed as there's more advanced technologies coming here, especially thermal management, being a key one.

So I mean, look, the cost synergies, we – Lori and I are just going to go get it real quickly just to get it out of the way, but we want it for the growth opportunity, the cross-sell opportunity to be able to bring more solutions to our customers.

Remember, in that business, we have a lot of application engineers that are resolving customer issues, and with shrinkage in size of all these components, some of these technologies become more and more important. And so that's the reason we bought it strategically. We think it's a great fit. It's where the industry is headed. And it's for really the growth reason in that business, but we'll get the cost synergies, so we bought it at a nice number from a multiple standpoint.

Steve Byrne
Analyst, BofA Securities, Inc.

Q

Thank you.

Operator: Thank you. Your next response is from John Roberts of UBS. Please go ahead.

John Roberts
Analyst, UBS Securities LLC

Q

Thank you. Ed, my understanding is IFF has recommended against you going on to the IFF board. Are there any remaining connections between DuPont and IFF that would create a conflict? Or is that just the position they have against previous management being on the board of a new owner?

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yes. So usually, John, it's an issue of CEO sitting on two boards – external boards. But I think, in general – and by the way, they also have that issue you just raised. My gut is, in general, our investors understand why I'm doing it. I don't need to do other things in my life. But I think they understand it. It's very important to me and to DuPont that this goes well. We could – I mean, more than half the company is what we've put into IFF. So it's extremely important to our shareholder base. So I think it's morally the right thing to do.

But under the definition by the way, I am an independent director; there's absolutely no doubt about that. And it's very similar to I went on the Corteva board to help in the transition there and I don't see this as any different and I think it's the right thing to do.

John Roberts
Analyst, UBS Securities LLC

Q

Thank you.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yep. Thanks.

Operator: Thank you. Your next response is from Mike Sison of Wells Fargo.

Michael Sison
Analyst, Wells Fargo Securities LLC

Q

Hey. Good morning. Nice start to the year.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Hi, Mike.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Good morning.

Michael Sison
Analyst, Wells Fargo Securities LLC

Q

I just wanted to get a little better feel for the second half. EBITDA does – looks like it's going to grow high single-digits. And just curious, do you expect demand to improve in the second half as the pandemic sort of subsides, hopefully? And is the lower growth rate, more maybe raw materials and other issues then? And then longer term, what do you think the EBITDA growth potential for the new DuPont is?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Yeah. I think the potential lower growth in the second half is really just a comparison. Though obviously, the second half – second quarter is going to be the largest year-over-year growth driver for us, just given that was the weak point of last year, and then we improved as the year went on. So I don't see a material change in the actual EBITDA number similar to the revenue conversation we had earlier. So I think a similar environment, as I mentioned earlier, from an end market perspective, for generally that and even above 2019 in those cases, that the full year guidance that we had out there has our revenue up 6% versus 2019.

In the guide that we put, I think, was the EBITDA kind of low teens. And so we're generally back, and then the markets that are weak are really just a handful. And they're more around the aerospace, which is up off the bottom, but still off of 2019 and commercial construction, which in the aggregates don't make up a material portion of our portfolio.

Michael Sison
Analyst, Wells Fargo Securities LLC

Q

Got it. Thank you.

Operator: Thank you. Your next response is from Arun Viswanathan of RBC Capital Markets.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Hi, Arun.

Arun Viswanathan
Analyst, RBC Capital Markets LLC

Q

Great. Hey, good morning. Thanks for taking my question. I'm just curious, now that the portfolio, you've gone through health and nutrition, or the separation thereafter. You made some acquisitions here to bulk up E&I. You separated into new segments as well with water. What else are you guys thinking of as far as continued kind of portfolio management? Also the non-core is mostly out. Is the business kind of, operating at a level that you're comfortable with?

I know you've also undertaken a lot of cost reductions. But maybe strategically, you can just give us your thoughts on maybe some of the next steps as you see moving forward for the new DuPont? Thanks.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Yeah, Arun. Look, I would say, short-term here, we're very focused operationally running the company. But remember, we just closed the N&B transaction two months ago. It seems like forever, and there's a lot of heavy lift there. We still have to finish carves, and do the three non-core businesses, which will get out after mid-year, out of the portfolio, and that will bring in $900 million of proceeds. So we still have a heavy lift going on there. And then remember, at the same time, we're going to be starting the integration of the Laird business into the portfolio. So we definitely got a lot of that type of work going in addition to looking at a couple of targeted M&A opportunities, as I had mentioned.

So – but I think that's a lot going on portfolio wise still this year, and with all of the issues we talked about managing raw material inputs and pricing through all that in a kind of a crazy but fun year, we've got our hands full. So I would say portfolio getting to kind of where we want it, again, we would never take off the table look at some transformative things. But generally, cleaning up the non-core, getting Laird in and operationally, we're really just nose to the grindstone here.

Arun Viswanathan
Analyst, RBC Capital Markets LLC

Q

Great. Thanks a lot.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Thanks, Arun.

Operator: Thank you. Your next response is from Alex Yefremov with KeyBanc. Please go ahead.

Aleksey Yefremov
Analyst, KeyBanc Capital Markets

Q

Thank you. Good morning everyone.

Edward D. Breen
Executive Chairman & Chief Executive Officer, DuPont de Nemours, Inc.

A

Good morning.

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Good morning.

Aleksey Yefremov
Analyst, KeyBanc Capital Markets

Q

Could you elaborate on the share gains in the CMP slurries? Did you introduce new products there? And do you expect additional share gains in this product, or maybe anywhere else in semiconductors in coming quarters?

Lori D. Koch
Chief Financial Officer, DuPont de Nemours, Inc.

A

Yes. It really comes from the new product we had mentioned within CMP slurries, lithography also [ph] coming from the (51:42) packaging space. So if you look at our revenue performance within semiconductor technology versus where the market's at, we were up about 18% in total. We estimate MSI, which is the market indicator that we look at, which is the amount of wafers produced, was probably up about 9% in the quarter. We think we got about 4% or so just from where we play, so some of the spaces within the semiconductor space grew higher than the market average. And then the remaining 4% would have been from that share gain perspective.

Aleksey Yefremov
Analyst, KeyBanc Capital Markets

Q

Thank you.

Operator: At this time, there are no further questions in the queue. Thank you.

Leland Weaver
Vice President of Investor Relations, DuPont de Nemours, Inc.

Thank you everyone for joining our call. For your reference, a copy of our transcript will be posted on the DuPont website. This concludes our call.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.