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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Olin Corporation Second Quarter 2019 Earnings Conference Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I'd now like to turn the conference call over to Ms. Logan Bonacorsi, Olin's Director of Investor Relations. Ms. Bonacorsi, the floor is yours ma'am.

Logan Bonacorsi

Director-Investor Relations, Olin Corp.

Good morning, everyone, and thank you for joining us today. Before we begin, let me remind you that this presentation along with the associated slides and the question-and-answer session following our prepared remarks will include statements regarding estimates of future performance. Please note that these are forward-looking statements and that actual results could differ materially from those projected. Some of the factors that could cause actual results to differ from our projections are described without limitations in the risk factors section of our most recent Form 10-K and in yesterday's second quarter earnings press release. A copy of today's transcripts and slides will be available on our website in the investor section under Past Events. The earnings press release and other financial data and information are available under Press Releases.

With me this morning are John Fischer, Olin's Chairman, President and Chief Executive Officer; Pat Dawson, Executive Vice President and President-Epoxy & International; Jim Varilek, Executive Vice President and Chief Operating Officer; John McIntosh, Executive Vice President-Synergies & Systems; and Todd Slater, Vice President and Chief Financial Officer.

We will begin with our prepared remarks and thereafter we will be happy to take your questions. I will now turn the call over to John Fischer. John?

John E. Fischer

Chairman, President & Chief Executive Officer, Olin Corp.

Thank you, Logan, and good morning, everyone. Today we'll begin my remarks by discussing the key points from the quarter just ended, followed by the outlook for the second half of 2019, a detailed review of each of Olin's business segments and conclude with our view on market dynamics for Chlor Alkali and epoxy.

With that let's turn to slide 3. During the second quarter and consistent with our early July update Olin reported adjusted EBITDA of $204.6 million. Second quarter results were challenged by several factors across our business segments. Specifically, we experienced lower than anticipated demand per merchant chlorine and certain chlorine derivatives, predominantly from titanium dioxide and refrigeration customers and agricultural customers impacted by flooding.

We were challenged by several one-time events in the Epoxy segment which negatively impacted results by approximately $10 million. These included customer issues resulting from the Intercontinental terminals, company storage fire in the Houston Texas area and reduced production in Europe resulting from an unplanned outage at a utility supplier. We incurred as expected approximately $40 million of sequentially higher planned maintenance turnaround costs in our chemical businesses and we recorded a $20 million environmental expense from the remedial activities related to the legacy Olin manufacturing site.

Now moving to our third quarter 2019 outlook, which is on slide 4. We expect our third quarter adjusted EBITDA to be higher than that achieved in the second quarter of 2019. First we expect improved operating rates and seasonally stronger sales volume in each of our three segments. Second we expect approximately

$40 million of lower maintenance turnaround costs compared to the second quarter. Third, the absence of the onetime events that challenged Olin in the second quarter should benefit third quarter adjusted EBITDA. Finally, while the second quarter declines in caustic soda indices, will continue to affect the price in Olin's system during the third quarter. The anticipated improvement in caustic soda pricing should provide positive momentum moving forward.

Now looking at the second half of 2019 outlook which is on page 5, as we guided to in early July, we expect full year adjusted EBITDA to be in the range of $1.075 billion and $1.175 billion. At the midpoint, this guidance implies second half of 2019 adjusted EBITDA of approximately $650 million. The key assumptions behind this forecast are, higher volume levels in Chlor Alkali and Epoxy increased operating rates in the chemicals business, lower turnaround costs, stronger contribution from the Winchester segment and improved cost performance. Although pricing is expected to improve, we're assuming that approximately $15 million of the adjusted improvement in the second half compared to the first half will come from higher prices.

Now I would like to take a more detailed look at each of the business segments starting with Chlor Alkali Products and Vinyls on slide 6. Second quarter 2019 adjusted EBITDA for the Chlor Alkali Products and Vinyls segment was $189.5 million representing a 35% year-over-year decline and reflecting the significant impact of lower caustic soda pricing. In fact, caustic soda pricing in Olin's system was approximately 25% or approximately $100 million lower when compared to the second quarter of 2018. In addition, lower overall volumes whichwere down approximately 4% year-over-year, negatively impacted the second quarter segment results. Offsetting some of the year-over-year pressure from caustic soda prices and lower overall volume levels was a larger contribution from Olin's ethylene dichloride business. Ethylene dichloride pricing improved approximately 40% over second quarter 2018 levels.

Now, let's discuss caustic soda pricing, which is on slide 7. Domestic caustic soda pricing declined at a slower rate in the second quarter of 2019, with the third-party indices moving down an additional $20 from first quarter 2019 levels. This price reduction, coupled with the first quarter declines still being recognized in our system, led to a 3% sequential decline in Olin's system. An upward turn caustic soda price has occurred later than we had anticipated, but we are now seeing positive developments.

During the second quarter, the caustic soda demand locations that plagued the market for more than a year were largely resolved. In addition, global restraints on the supply side, particularly in Latin America, have emerged resulting in the need for additional caustic soda exports from the United States. The tightening supply and demand dynamics taking place today should lead to caustic soda price improvement as we progress through the back half of the year.

In fact, we are already seeing indications of upward pricing momentum. For example, U.S. spot export pricing reversed its downward trend in the second quarter with indices of increasing approximately $40 per ton over the first quarter. Brazilian domestic pricing has increased approximately $200 per ton since the end of the first quarter. And most recently, the domestic costs the price indices broke its streak of luck declines in July by increasing $5 per ton.

Now, let us move to the performance of our Epoxy segment, which is on slide 8. During the second quarterof 2019, Olin's Epoxy business generated adjusted EBITDA of $29.7 million. This level of adjusted EBITDA coupled with our first quarter 2019 results represents this all strongest first half performance from this segment since owning and operating this business.

Looking ahead to the third quarter 2019, we expect Epoxy segment results to increase when compared to the second quarter of 2019, specifically $20 million of lower planned turnaround costs, the resumption of normal customer operations at the ITC terminal storage facility, and the resolution of the unplanned utility outage that started Germany plant will supplement the expected seasonal uplift in volumes. Whatever we continue to believe we will see improved year-over-year performance from the Epoxy segment in 2019.

Looking now with global epoxy resin prices, which are shown on the chart on slide 9. During the second quarter, Liquid Epoxy Resin pricing in all regions declined from the pricing levels experienced during the prior year quarter. Sequentially pricing in Asia, in Europe moved lower due to weaker than expected demand while U.S. Liquid Epoxy Resin pricing appears to have stabilized. However, ongoing supply disruptions in China have tightened epichlorohydrin supply. In fact epichlorohydrin prices in China increased approximately 30% over the past two months. This has resulted in upward pricing momentum per Liquid Epoxy Resins in China. We believe this development could tighten global markets resulting in an increase in global Liquid Epoxy Resin pricing in the second half of 2019.

Now turning to our Winchester segment which is summarized on slide 10. Winchester experience a 9% decline in adjusted EBITDA for the second quarter of 2019 compared to the second quarter last year. This decline was a result of lower commercial volumes and lower product pricing. Favorable commodity and operating costs partially offset the impact of the lower volumes and pricing. We are forecasting sequential improvement in adjusted EBITDA during the third quarter as the business enters its seasonally strongest quarter of the year. We expect to see an improvement in commercial sales and volumes across all product categories and in military and law enforcement sales volumes. This should lead to a stronger overall performance during the year second half. We continue to expect Winchester's results for the full year of 2019 to be comparable to the full year levels achieved in 2018.

Now turning to our long term view of the market. In mid-July Oiln completed a $750 million bond offering and new $2 billion bank credit facility. Todd will discuss this transaction in more detail in a minute. But overall we were able to establish a low risk pathway to refinance the high cost bonds assuming – assumed during the 2015 Dow merger when the bonds become callable in late 2020, while also increasing our overall financial flexibility.

Despite the recent weakness in caustic soda pricing and lackluster demand for certain of our products our positive long-term view of the Chlor Alkali and Epoxy markets is unchanged. This positive outlook reflects the following: in the Chlor Alkali sector demand growth is occurring on both sides of the EDU. To-date there have been minimal global capacity additions and announcements of additions to meet this growing demand.

Current industry economics do not support world scale Chlor Alkali capital investments. As a result over time supply and demand balances will continue to tighten creating upward pricing momentum for Olin's caustic soda chlorine and

chlorine derivative products. Similarly in the Epoxy business, we see steady global demand growth with minimal announced capacity additions.

Now I would like to turn the call over to Todd Slater, Olin's CFO. Todd?

Todd A. Slater

Chief Financial Officer & Vice President, Olin Corp.

Thanks, John. Before turning to our 2019 cash flow outlook, I'd like to discuss the recent capital market transactions in more detail on slide 12. In mid-July we completed an opportunistic bond offering which extended our debt maturity profile and enhanced our current liquidity position. We issued $750 million of 10 years senior unsecured notes and an interest rate of 5% and 5.8%.

We immediately used the proceeds from the offering to pre-pay the term loan A facility and the outstanding borrowings under the accounts receivable securitization facility. As a result, we have effectively no pre-payable debt outstanding. Concurrently we put in place a new $2 billion bank credit facility consisting of an $800 million revolving credit facility and a $1.2 billion delayed draw term loan.

We expect to use the proceeds from the delayed draw term loan to pay the existing high cost bonds that were assumed in the acquisition of Dow Chlorine Products businesses, when the bonds become callable in late 2020. By addressing this future need now when the credit markets are favorable, we have positioned Olin to enhance our balance sheet and cash flow significantly and at attractive terms within the next 15 months. We estimate that the 2020 refinancing will reduce annual interest expense by $50 million to $70 million.

Now let's turn to our 2019

cash flow forecast, which is on slide 13. Assuming the midpoint of our full-year adjusted EBITDA guidance, we expect to generate approximately $310 million of cash flow in 2019. Starting with the midpoint of our adjusted EBITDA forecast, which is in the far left of the waterfall chart, we deduct $60 million in estimated cash tax payments. We are forecasting our cash tax rate will be in the 25% range for the year. Column 3 reflects the midpoint of our current forecast for capital spending of $375 million, which includes annual maintenance capital spending of between $225 and $275 million and the investment associated with our multi-year information technology integration project of approximately $80 million.

As we've previously discussed, in 2017, we began a multi-year project to implement new enterprise resource planning, manufacturing and engineering systems across the heritage Olin and the acquired Dow chlorine products businesses. The project includes the required information technology infrastructure.

Now turning to the fourth column, we expect a $100 million increase in working capital in 2019 as we will use cash from our refinancing to discontinue the sale of receivables under our factoring arrangement. In the next column, one-time items include information technology integration cost and cash restructuring cost of approximately $80 million. This includes approximately $40 million for the IT integration project that I just spoke about and approximately $25 million of duplicate IT costs that are being incurred during the transition.

These costs will partially offset by $20 million of pre-tax proceeds from the sale of an investment in a non-consolidated affiliates during the first quarter.

The next column represents an estimate of cash interest expense, on June 30 we had approximately 30% of our debt at variable interest rates. However, following the refinancing that was just completed that percentage has dropped to 20% of our debt at variable rates. We are forecasting the 2019 interest rates will be slightly higher than those we experienced in 2018. In the far right column, we are forecasting $310 million of cash flow. Given the recent capital market transactions and the debt repayment progress to date, our top priority for free cash flow is to return to our shareholders through dividends and share repurchases, and build our cash position in advance of the ethylene payment, which will be no more than $493 million and that is due in late 2020.

Finally, on Thursday July 25 Oiln's board of directors declared a dividend of $0.20 on each share of Olin common stock. The dividend is payable on September 10, 2019 to shareholders of record at the close of business on August 9, 2019. This is 371st consecutive quarterly dividend to be paid by the company.

Operator we are now ready to take questions.

QUESTION AND ANSWER SECTION

Operator: Yes sir. We will not begin the question-and-answer session. [Operator Instructions] Our first question will come from Don Carson of Susquehanna. Please go ahead.

Don Carson
Analyst, Susquehanna Financial Group LLLP

Q

Thank you. John, in your prerelease you talked about some weakness in chlorine volumes as well as obviously [indiscernible] continued weak, but what are you seeing in some of these other markets like refrigerants and TiO2, any uptick and maybe just talk about EDC demand and price outlook for the second half?

A

Okay. In terms of – if you look at our chlorine demand historically it has always been the strongest in Q3 and I would say as it relates to both TiO2 and refrigerants which we saw fairly weak in the first half, we have seen some seasonal uptick in both of those. I'll let Jim just comment on EDC.

James A. Varilek
Executive Vice President & Chief Operating Officer, Olin Corp.

A

Yeah, Don. This is Jim. On the EDC standpoint, I think the demand is – has actually been pretty solid throughout the first half and we expect that to continue into the second half. What we're seeing in the marketplace actually is there's a broadened demand for EDC. Long time ago 18 months or two years ago, it used to be predominantly Asia, but in the last year and a half, we've seen demand increasing in Southern Europe. We've seen it also increase in Middle East, North Africa as well and then of course most recently in Latin America. So demand is solid and we remain constructive on EDC.

Don Carson
Analyst, Susquehanna Financial Group LLLP

Q

And then as a follow up on slide 20 you show significant leverage to lowering [ph] natural gas and ethane costs and price of both have been coming down. What benefit did you see from that if any in the first half given your hedging position and how do you see that contributing to earnings growth in the second half?

A

I would say, generally, we are a hedger as it relates to gas predominantly, and that some of the benefit was tempered, but it'll just be delayed in our system and we have been benefiting, and you see that in terms of the profitability of our EDC from the lower ethane prices, although a lot of that has occurred just very fairly recently.

A

Okay.

Operator: Next, we have Kevin McCarthy of Vertical Research.

Kevin W. McCarthy
Analyst, Vertical Research Partners LLC

Q

Yes. Good morning. Just a follow-up on the EDC, I was wondering if you'd comment on the level of EDC prices that is baked into your financial guidance for 2019. We've noticed some weakness over the last two months or so. I'm just – would like to understand kind of what you're assuming in terms of the sequential pattern there.

A

Yeah. From an EDC standpoint, there has been some movement that we've seen in Asia, and I think that's because of low ethylene pricing that is taking place. So, you probably are hearing and seeing some of the spot volumes that are moving to Asia that are at reduced numbers. What I would say is that, as I mentioned earlier on the breadth that we're seeing in the marketplace, Olin doesn't have to participate specifically in Asia. We have a broad-based participation. And a significant amount of our volume for the third quarter and in fourth quarter has already been pre-placed at contractual pricing. So, we're going to be somewhat – we'll see somewhat muted effect relative to that spread.

Kevin W. McCarthy
Analyst, Vertical Research Partners LLC

Q

Okay. And then, as a second question, I think you indicated in your press release that your average realized pricing for caustic soda declined 3% in 2Q versus 1Q. Just wondering if it's possible to provide a similar numberfor the chlorine side of the molecule including derivatives. What was your average price experience there?

A

I would tell you that on the chlorine side itself, chlorine is actually up year-over-year. So, the derivatives get very messy because mix gets into the play – gets into play. But I think you can look at the big derivatives which are – which would be bleach that just takes chlorine and moves it through and chlorinated organics and chlorine moves through. So those would have had a positive trend. I would say the other derivative is HCL which is much more market driven and that has tended to be lower year-over-year at this point. But still if you look at HCL from our perspective it's still a value add compared to selling merchant chlorine.

Q

Just to clarify gentlemen, were prices stable on a sequential basis versus 1Q?

A

Kevin this is Todd, if you go back to slide 19 you'll see virtually all prices were similar to Q1 versus Q2 except for caustic and CHL.

Q

Thank you very much.

Operator: Next we have Eric Petrie of Citi.

Q

Hi, good morning.

A

Good morning.

A

Good morning.

Q

You noted that in your second half over first half guidance that pricing would contribute roughly $15 million of that. How much is caustic soda represent versus chlorine derivatives or any pricing uptick that you think you'll realize in Epoxy?

A

We have not broken that out. I would just say as with most of our portfolio caustic is roughly half our volume. So it probably represents half the price.<Q>: Okay. Helpful. And then by region, could you talk about your customer caustic soda inventories at least in Europe it seems that stocks remain elevated year-over-year on a historical basis. So with prices seemingly troughing and bottoming out at these levels, I wonder if you could talk about potential restocking in the second half?

A

I guess I would say from the standpoint of inventories we – we don't pay that much attention to Europe other than I could tell you that for the year 2019 exports from Europe to North America are down. I would also tell you that exports out of China are also down. So we think that we're going to continue to see, we're going to see benefit and continue to see benefit over time from a tightening market.

Q

Thank you.

Operator: Next we have Michael Leithead of Barclays.

Michael Leithead
Analyst, Barclays Capital, Inc.

Q

Hey, fellows, good morning. Following on the last question, so if I sort of build a-half-over-half EBITDA bridge pricing is going to give us $15 million, turnarounds are going to give us another $25 million. And I think in your preannouncement, you called out $20 million in Epoxy items. So if my math is right that leaves us around $150 million GAAP that we in terms of hitting the guidance, I'm assuming is that mostly volume that's going to get us there?

A

That's correct.

Q

Okay. And since you bought the Dow business four years ago, what has historically been the seasonal volumes split between the first half and the second half?

A

If you just look at EBITDA between first half and second half for the three year average of 2016, 2017 and 2018, we've averaged about 45% over EBITDA in the first half. 55% and in the second half.but it's been as low as 41% to 42%. So – but I would say what we're forecasting is not way out of line with what we've seen historically.

Q

But I guess just one last one. You've seen a massive caustic up cycle over the past three or four years. So the second half has just benefited from higher price over the past three years versus that first half this year so I'm assuming pricing skews, some of the EBITDA benefit, so I guess that's why I was asking on the volume side what has that slipped in?

A

Well, let me give you – I'll give you three statistics, because the biggest – the three biggest things that benefit for us in terms of first half versus second half, the first is bleach which is seasonal and it's not the biggest of the businesses, but historically that has been – it's been up somewhere in the 15% to 20% range, first half to second half and that's not cyclicals and in fact as hot as it was in July that's actually positive in terms of the comparison.

The second has been our Vinyls business and that over the prior three years has averaged about at 5% to 7% improvement, first half versus second half. And then, we have some large pipeline customers who are predominantly related to the Polyurethanes path and that has historically been up about 15% in the second half versus the first half. And a lot of that just has to do with the timing of turnarounds, but we typically take our turnaround when our customers do.

Q

Thank you.

A

So there's actually three big pieces.

Q

That's super helpful. Thank you.

Operator: Next, we have James Sheehan of SunTrust.

Q

Good morning. Thanks for taking my question. Can you address your Chlor Alkali, Vinyls demand declines in the quarter. You said down 4%It seems to be well below GDP or industrial production rates. Is this an impact of trade and tariffs or something else?

James A. Varilek
Executive Vice President & Chief Operating Officer, Olin Corp.

A

Jim, this is Jim. No, it's not a result of trade tariffs or anything. We mentioned some of the weakness on the chlorine side of things, the chlorinated organics, refrigerants and the agricultural market that impacts us. And obviously, that, when you have that demand on the chlorine side, you lose both sides of these views. So, that's primarily what we are talking about in terms of the volume decline.

James Sheehan
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. And then in epoxy, you talked about tight epichlorohydrin conditions to supply, demand maybe resulting in upward pricing momentum for epoxy and liquid epoxy resin pricing. Do you think that tightness is enough to offset some of the demand weakness we're seeing in electronics and from automotive end markets?

Pat D. Dawson
Executive Vice President & President-Epoxy & International, Olin Corp.

A

Yeah. Jim, this is Pat. We will see because the real issue there with epi prices going up 30% in the last 2 months is that puts pressure, margin pressure on the non-integrated epoxy resin producers in China. And so, we've seen that price of LER in China go up to levels where we were in late 2017 and early 2018. And what that does is you get the price of LER in China higher than the price of LER out of China. So, producers in Asia where we see a lot of the competitive activity coming into Europe and North America, they'll send out LER into China because they can make better returns and that takes products off the market in Europe and North America. Hence, you can get a tightening from that kind of arbitrage dynamic. So, that's really what we see could happen here in the second half of the year.

Q

Thank you.

Operator: The next question we have will come from Matthew Blair of Tudor, Pickering & Holt.

Q

Hey, good morning everyone. I just want to clarify on the use of cash proceeds. I think previously you were talking about paying down $250 million to $300 million of debt. Is that still intact or is the general idea to build cash in advance of this third ethylene trench payment?

A

Matthew this is Todd, that debt repayment was in effect lowering debt in advance of the ethylene payment that was going to be due at the end of 2020. And so we are going to build cash over the next year-and-a-half to be in position to pay that.

Q

Okay, sounds good. And then it looks like Epoxy contracts in the U.S. settled down a little bit in July. I'm just wondering are you expecting margin compression in Epoxy in the third quarter or do you think you'll make that up with cheaper raws?

A

Yeah, this is Pat again. I think you know we had price increases out there in May and we got modest improvement traction on that pricing that you saw in the chart there from the ISIS index in that May-June timeframe. No question with the lackluster demand in Asia and in Europe, we're seeing pressure on the margins, but we're also not seeing the – any major increases in raw material costs. So we think margins should be pretty stable here as we go into the second half of the year in North America.

Q

Sounds good. Thanks.

Operator: Next we have Hassan Ahmed of

Alembic Global.

Hassan I. Ahmed
Analyst, Alembic Global Advisors LLC

Q

Good morning, guys. You know you guys talked about a recovery in caustic pricing in the back half of the year. Now there's some industry consultants out there talking about the restart of a caustic facility in the back half of the year in the U.S., not a huge capacity, but a restart to all the same. So as you guys think about your sort of forecast looking for higher caustic prices in the back half, are you factoring in that capacity coming on stream?

A

I guess what I would say that it's a – it is a small facility that that's a restart and in this there are a whole scheme of things in terms of the capacity that's $30 million plus in North America, it's very small. So I would say that we're very constructive on what we're seeing. The demand on caustic is strong in the domestic market and obviously with the pickup in the export market that we're seeing, we're constructive on it and that plant restart, we wouldn't expect to have any impact on the overall supply demand outlook.

Hassan I. Ahmed
Analyst, Alembic Global Advisors LLC

Q

Understood. Understood. And since you brought up the export demand side of it, I would love to hear what you guys are seeing specifically on the Brazilian side. It seems out of [indiscernible] sort of ramping up production, the [indiscernible] facility continues to be offline at the very least through the end of the year. So what are you guys seeing on the sort of Brazilian export demand side?

A

We continue to see relatively strong demand in Brazil, aided by some supply outages down there. We talked in the prepared remarks that we have seen the price of caustic in Brazil, the domestic price go up about

$200 a ton over the last quarter. And I'll make one other comment about our caustic soda pricing. Our caustic soda pricing outside of North America went up approximately $50 a ton from the end of the first quarter to the end of the second quarter. So the export market is improving.

Q

Very helpful. Thanks so much, guys.

Operator: Next, we have Steve Byrne of Bank of America.

Stephen Byrne
Analyst, Bank of America Merrill Lynch

Q

Yes. Thank you. Are your higher margin chlorine derivative products running at capacity? Or could you shift more chlorine molecules into the – into those end markets in a way from to a spot EDC?

James A. Varilek
Executive Vice President & Chief Operating Officer, Olin Corp.

A

This is Jim. We do have the ability to move some product around. Our assets are running hard. And I think we talked in our Investor Day about adding additional capacity down the road to support the derivative demand in bleach and HCl and so forth, and we are, in fact, doing that. So I would say, the assets downstream are running well, running hard, and we do have – we do still have some capability to optimize across different product portfolios based on operational [Technical Difficulty] and seasonal demands.

Stephen Byrne
Analyst, Bank of America Merrill Lynch

Q

And this environmental remediation charge that you have, what site is this associated with? What's the source of the contamination? And how significant could this be longer term?

John L. McIntosh
Executive Vice President-Synergies & Systems, Olin Corp.

A

We're not going to – this is John McIntosh. We're not going to respond specifically about site. This is just part of the ongoing remediation activities at the site. It could even have a trend ora harbinger of things to come. This is just the normal course of events as we work cooperatively with the agencies to remediate sites that were targets or orphan sites for us years ago.

Q

Can you just comment on what's with the contamination is?

A

Steve this is Todd, if you look over the last 15 years, [indiscernible] long term item for Olin, you can – our average expenses then just under $20 million a year. And it ranges anywhere from $38 million in a year to $8 million. So this $20 million item happens is not unusual. It happens periodically over a 15 year period. Yeah, and the other day I think that we have over 77 sites that Olin is dealing within the environmental – it's environmental portfolio. And remember these – this is a heritage Olin site as we didn't take any legacy down environmental liabilities.

Q

Okay. Thank you.

Operator: The next question we have will come from Frank Mitsch of Fermium Research.

Q

Hey good morning, and congrats on the bond offering. I wanted to follow up on caustic pricing. I believe you indicated that indices had it down $20 per ton second quarter versus the first quarter and I thought you mentioned that industry was in July also down $5 per ton. As we look at if we think about where the industry index will end the third quarter what are your expectations in terms of it being higher than where it ended June. Is that how we should be thinking about it that we should be getting more than that $5 down on the index by the end of this quarter?

A

Hi Frank this is Jim. Justfor clarity the July index was actually moved up 5 at HIS. There's a number of different indexes and they range anywhere from up 5 to up 30 on the indexes. So we do expect that, that we reached the inflection point here. And with demand continuing to be stronger as we go through the summertime that we would expect continued movement upward movement on the prices. I think from an expectation standpoint if you think about third quarter caustic pricing being at or slightly better than second quarter it would be a good assumption.

Q

That makes a lot more sense. You know at the end which is why I asked the question because I obviously had misheard that, so my apologies there. On the ITC incident negatively impacting epoxies by $10. Is that demand gone forever or is that merely delayed and you know you'll be making that up as we progress through the year?

A

Frank, this is Pat. No, no that demand has not gone forever. It was a temporary situation, and so we're seeing that you know come back strong here as we go into the second half of the year and actually we started to see it come back in the month of June.

Q

Terrific. Thanks so much.

Operator: The next question we have will come from Jeff Zekauskas of JPMorgan.

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Q

Thanks very much. Your maintenance expenses have come down nicely from 2017 maybe from about $220 million then to about $136 million in 2019. And I was wondering are these elevated or is the $136 million that you think you're going to pay this year, is this still an elevated level of maintenance or is this now a more normal level of maintenance. What's the trajectory of maintenance spending as a base case over the next several years?

A

Jeff, there's a couple of things that drive the level of maintenance spending. One, there's a large outage that occurs every three years into VCM plant, which is obviously the biggest most complicated plant we have and that will drive it up in the year that that occurs, that last occurred in 2017 so we will see that again in 2020. We also had once every six year, maintenance at both of the epoxy plants, part of that occurred late in 2017, part of that occurred in 2018. So, both that again drove 17 up above what I would call the normal line. I would say 2019 is probably a little bit below the normal line. But as we go into 2020, I would tell you, we would expect that to be elevated because of the VCM.

Q

Okay. And then if you could just briefly summarize why caustic soda prices for the first half of 2019 probably were lower than you expected? And why the, and why do you think that the stabilization and growth in caustic, which is about to come is probably coming at a slower rate? What were the primary levers in your mind behind the toughness in the caustic market and why have they altered?

A

I think there's, there was one discrete event which was the whole issue of Alunorte which was, has been discussed here for about a year.

Q

Sure.

A

And I think ultimately, the restart of half of that plant which consumes 15,000 tons of caustic a month was delayed much longer than we might have anticipated a year ago. The other thing I think if you look at

some industry data and some consumption data, I think caustic soda demand in North America was just a little bit weaker in the first half of the year than we would have expected. Now there's probably impossible to specify where that came from, but that's why, we turn – we sort of believe we turn the corner as we said in our remarks around the demand disruption from Alunorte.

Q

Yes.

A

On top of that we've seen the supply disruption in Latin America around brass cam, so and we've seen in our system of improving demand as we've started to move into the summer months which are typically the strongest months from a manufacturing perspective.

Q

Okay. All right, thank you very much.

Operator: And next we have Mike Sison of KeyBanc.

Q

Hey, guys, just a question on the July realization of the $5 for caustic. I think you guys and several others announced 60, can you maybe talk about what – why the realization was so low? Was it more supply or was it more demand in terms of the pricing realization?

A

Mike this is Jim. Yeah, the price realization it's always hard to turn things when you're going from a market that has been moving down to a lot of the individual negotiations take place. And you should think about this also as a range in terms of the pricing, some of the different indexes there is from like I said from $5 to $30 range on that. And so that would indicate kind of a spread of what type of price realization took place in the across the industry and some of that will continue to be pushed into the latter parts of the third quarter.

Q

Got it. And then in terms of demand where do you need to that demandto improve just on a geographic basis, I mean is it more the U.S. that needs to improve to sort of to see that improvement in demand or do you need some demand overseas as well?

A

This is John. I would say to you that caustic for us is a global market. So, we really need it to look very indifferent where demand improves.

Q

Got it. Thank you.

Operator: Next we have Neel Kumar of Morgan Stanley.

Neel Kumar
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Good morning.

A

Good morning.

Neel Kumar
Analyst, Morgan Stanley & Co. LLC

Q

One of the trade sources mentioned that recent U.S. export offers have come in at about $20 per metric ton lower versus July. I was just wondering if that's indifferent than what you're seeing in the market and what are the drivers of the lower offers?

And then is there anticipated price improvement in the second half of the year [indiscernible] come from higher domestic or export pricing?

A

Well, I'll go back to the answer I gave to a question a few minutes ago, which is in our system caustic sold out of North America went up approximately $50 a ton between the end of the first quarter and the end of the second quarter. So – and we don't, we do not expect that to go down as we move forward. So, it's our expectation that for us in our system, export pricing were non-North American pricing, will be improved in the second half versus the first half. And I think that's consistent with what you see in the index, which is up $40 a ton. I can't comment on what one shipment that might be at a slightly different price might mean. From our perspective, this is what we're getting under our contracts. We – as we've said in the past, we sell virtually nothing in the spot market.So, we're at least constructive on the direction.

Q

Thanks. That's helpful. And we've seen some commentary about [indiscernible] inventories and costs that had been a bit elevated over the last couple of months. Have those levels begun to get drawn down with higher export demand or how would you characterize inventories for the industry currently?

A

I would say I can't talk about the industry. I can tell you that our inventories are at normal to slightly below normal levels right now.

Q

Okay. Thank you.

Operator: The next question we have will come from John Roberts of UBS.

John Roberts
Analyst, UBS Securities LLC

Q

Thank you. I may have misheard at the beginning, but I think you talked about some Chinese supply disruptions in Epoxy. Is that the glycerin-based Chinese industry or was that chemical-based epi where disruption or were these some of the older explosions that happened a while ago just rippling through the system?

Pat D. Dawson
Executive Vice President & President-Epoxy & International, Olin Corp.

A

Hi. Hi, John. This is Pat. This was chlorohydrin based epichlorohydrin. It was not glycerin at epi based and it was really – this is out in the press primarily around highly having some environmental issues and that's the capacity that has really gone down.

John Roberts
Analyst, UBS Securities LLC

Q

Is there a fair amount of excess glycerin-based production that can still come back to the market here to kind of fill in if the pricing continues up?

A

I say it's – I say the honest answer right now it's hard to tell. There's a lot of different sizes of that glycerin to epi out there in terms of scale. There's a lot of different costs involved in those small assets. Most – there's very little epichlorohydrin that ever comes out of China, John as you know. So I think most of this is around chlorohydrin based and that is of course most of the capacity in China is chlorohydrin based.

Q

Okay. And then follow up on Winchester, are we kind of completed all the, destock at both end consumers in the supply chain now and until the next kind of disruption comes along this is a new normal and we'll have normal seasonal patterns off of the current level of results in Winchester?

A

John, this is Todd. I think we've seen the distributors and retailers I think inventories are in line. It's still unknowable what the consumer has in their safety stock. So we aren't – it's not clear that they're buying what they're technically consuming today. So, but what we've seen in the first half of the year Winchester's sort of you know even though commercial sales have been down and pricing has been down with commodity costs and improve military volumes year-over-year results are very similar.

Q

Thank you.

Operator: Next we have Arun Viswanathan of RBC Capital Markets.

Q

Great thanks. Good morning guys. Just a question on going back to the bridge, so you highlighted kind of comparable Winchester earnings so that's minimal H2 improvement, lower turnaround the $25 price is only $15. And then you said that leaves $100 or so for volumes. Could you break that out as well? I mean that seems like quite a big jump to me. Is that just weakness in H1 that was more pronounced and you see all that coming back? And what gives you that confidence especially given the demand weakness that you saw in the first half?

A

We just – we provided some information specific to products a few minutes ago where we talked about bleach which I think everybody knows is a seasonal business. And if you look at the weather pattern in the United States in the early part of the year especially the April-May was a lot cooler and a lot wetter. July was a lot hotter than normal and that has continued in August. That represents a big uptick. Historically we've seen 15% uptick first half to second half.

I talked about the Vinyls business which has a seasonal component to it in terms of how we run – how our customers run and that has historically had a 5% to 7% uptick second half to first half. The Epoxy business has always been seasonally strongest in the first half – in the second half versus the first half, which it really goes to a lot of the businesses in Europe, a lot of it is construction related and that be – that is predominantly a summer activity Jun, July, August, September. So we were confident in that. And I also talked about what our large pipeline accounts who primarily are in the urethanes business and we have typically seen somewhere in the 15% improvement year first half to second half in them. So all we're really looking for here is the normal demand pattern over the first half to second half. And you know a lot of that gives you and that plays into the fact that second half turnaround costs are going to be lower because some of this is driven by turnarounds that occur in the first half, and the first half turnarounds reflect lower demand in the first half versus the second half. So I would say we're as confident as we could be about the long – the pattern that we're seeing, this is not that unusual.

Q

And then just so we can put that in context. Yeah, I have those numbers as far as bleach up 15% to 20%, 5% to 7% in Vinyls, pipeline up 15%. You know given those typical movements, I guess in the past has that typically resulted

in a $100 million improvement second half versus first half? Or is that because of changes in your system that you could realize that, that larger level of improvement?

A

I would say that typically creates a significant change from first half to second half. We said earlier that over the last three years that we've owned the Dow businesses. We've seen about 45% of our EBITDA we generated in the first half, 55% in the second half. Now pricing can skew that all over the place. We're looking at this and the number we're giving you is based on our, obviously based on our assumptions on price and there's not a lot of price skewing that this time.

Q

And then just to understand the lower end of the guidance then, so assuming the midpoint, you get that $100 million or so in volume, so the lower end is, is it mainly just that the volume doesn't come through or what are the other factors that go into the lower end of guidance?

A

Well, I would say the two big variables around the guidance are, do you realize the $15 million in price and the rest is the volume.

Q

Okay. Thanks.

Operator: Next, we have Aleksey Yefremov of Nomura.

Aleksey Yefremov
Analyst, Nomura Instinet

Q

Thank you. Good morning. Apologies, another question on the first half versus second half. If I take the $650 million back to the midpoint in the second half and divide it by 2, that's about $325 million per quarter. Should I think about the seasonality as 3Q is going to be higher than that average and 4Q below that?

A

No. I think with the product mix that we have today and some of the changes in the customer, I would say Q3 and Q4 should look similar to each other.<Q>: It's about 325 per quarter is roughly. All right, thanks. And then the $20 million environmental charge, should that benefit the corporate line in the third quarter compared to the second quarter because of absence of it?

A

All other things being equal, yes.

Q

And last quick one if I may. Could you quantify the negative impact of ITC fire in the first half and how much it would benefit the second?

A

All we've said is that it was $10 million in the second quarter.

Q

Great. Thank you.

Operator: While as there are no further questions. This concludes our question-and-answer session. I would now like to turn the conference call back over to Mr. John Fischer from any closing remarks. Sir?

John E. Fischer

Chairman, President & Chief Executive Officer, Olin Corp.

I'd like to thank you all for joining us today, and we look forward to speaking with you about our third quarter.

Operator: Right, and we thank you sir and to the rest of management team for your time also again the conference call is now concluded. At this time you may disconnect your lines. Thank you. Take care and have a great day everyone.