

# Lock In PP Below Budget

## October *Convertor Meeting*



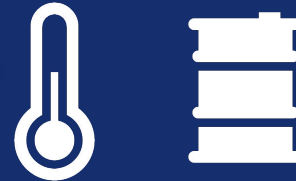
- Procurement meets with owners, treasury and accounting to budget resin spend for the following year.
- Plans are made for PP resin spend to be in the 56-60cpp range.
- Capital is allocated accordingly and sales quotes are sent to clients.

## December *Fix Below Budget*



- PGP and PP prices decrease throughout the 4<sup>th</sup> quarter.
- Convertor has the option to lock in a fixed price with BlueClover at 54cpp for the following year.
- Convertor decides to execute and lock in 54cpp for half of its PP volumes for the full calendar year.

## February - Freezing Temp July – Middle East Conflict



- In February, freezing temperatures in Texas shuts down PDH units and certain PP reactors.
- In July, conflict in the Middle East sends crude oil prices north of \$100/barrel
- As a result of these two major supply side shocks, PP prices average 68cpp for the year

## October (1 Year Later) *Convertor Meeting*



- One year later all the teams are relieved that they locked in the price for half of their PP volumes.
- Many competitors were squeezed on profit margins as a result of the unexpected supply shocks
- Convertor decides to lock in up to 50% of PP volumes whenever they can buy below planned budget pricing

# Selling Forward Fixed to Big Box Retailer

**June 2022**

*Big Box Retailer asks for Fixed Price Holiday Program*



- Big Box Retailer asks for a fixed price program in the 4<sup>th</sup> Quarter (Holiday season)
- Order requires 5 railcars/month of generic prime impact copolymer.
- PP to be purchased by convertor in the August, September and October month

**June 2022**

*Convertor decides to hedge the forward volume*



- Convertor asks BlueClover for a fixed price for August – October railcar deliveries
- Convertor quotes the business to retailer accordingly with known profit margin
- Retailer accepts and convertor locks in the pp fixed price.

**Sept 2022**

*Market Volatility Increases*



- PGP market increases 15 cpp from June
- With no hedge in place convertor would be losing money on the business with the big box retailer.

# Hurricane Hedge

**May**  
*Planning Meeting*



- Procurement wants to protect against any hurricane risks for their 3<sup>rd</sup> quarter resin supply. 3<sup>rd</sup> quarter is typically a strong demand period for this convertor.
- The customer is already in contract with BlueClover for generic prime HomoPP
- Customer locks into a fixed price at 52cpp for July-September deliveries

**August**  
*Major Hurricane Event*



- A major hurricane significantly shuts down production of PP in the Gulf Coast.
- PGP and PP prices rally 20cpp from their May levels
- Customer has prices locked in.
- BlueClover works with its network of PP suppliers to deliver the material at the agreed upon fixed price.