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The Chemours Co. (CC)

Q2 2017 Earnings Call

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Analyst, JPMorgan Securities LLC

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Ruth, and I will be your conference operator today. At this time, I would like to welcome everyone to The Chemours Company Second Quarter 2017 Earnings Conference Call. [Operator Instructions]

Alisha Bellezza, Treasurer and Director of Investor Relations, you may begin your conference.

Alisha Bellezza

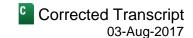
Treasurer and Director of Investor Relations, The Chemours Co.

Thank you, and good morning everyone. Welcome to The Chemours Company 2017 second quarter earnings conference call. I'm joined today by Mark Vergnano, President and Chief Executive Officer, who will begin the call with the highlights of our second quarter; and Mark Newman, Senior Vice President and Chief Financial Officer, who will review our financial performance and liquidity position. Mark Vergnano will then review our business results and conclude the call with our updated outlook.

Before we begin, let me remind you that comments on this call as well as the supplemental information provided in our presentation and on our website contain forward-looking statements that involve risks and uncertainties, including those described in the documents Chemours has filed with the SEC.



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These forward-looking statements are not guarantees of future performance and are based on certain assumptions and expectations of future events that may not be realized. Actual results may differ, and Chemours undertakes no duty to update any forward-looking statements as a result of future developments or new information.

During the course of this call, management will refer to certain non-GAAP financial measures that we believe are useful to investors evaluating the company's performance. A reconciliation of non-GAAP terms and adjustments are included in our release and at the end of the presentation that accompanies our remarks.

I'll now turn the call over to Mark Vergnano.

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Thank you Alisha. Good morning everyone, and thank you for joining our call. Our results for the second quarter are a testament to the efforts of our employees who have been implementing our transformation plan over the last two years. Without their hard work, we would not be in as favorable of a position to take advantage of the positive market trends that we are experiencing.

Our Titanium Technologies business has benefited from increased year-over-your price and demand for our Ti-Pure products. During the second quarter, we continued to work closely with our customers to implement our pricing strategies, and as a result saw prices increase 6% sequentially and 14% year-over-year.

The Fluoroproducts segment saw high demand for Opteon refrigerants as well as our full range of fluoropolymer products. Base refrigerants have notably benefited from supply tightness and favorable regulatory actions, which have contributed to increased pricing, particularly in North America and Europe.

And our Chemical Solutions segment continues to be impacted by portfolio changes. However, we saw solid demand for both its businesses in the quarter. These strong business results were partially reduced by higher transformation and performance compensation costs that were booked in the second quarter.

Last quarter we told you that the final \$150 million of our target transformation cost savings are the most difficult to achieve, and we needed to make investments in order to deliver on them. The higher costs reflected in the second quarter were a result of these initiatives. We engaged outside experts to support some of our short and long-term business process changes which will further strengthen our company through 2018 and beyond.

We continue to implement these changes throughout our company. With most of the support efforts completed during the second quarter, we do not expect the same level of expense to continue into the second half. We remain focused on delivering net cost reductions and anticipate that we will realize the majority of these reductions in 2018.

Given the benefits of our transformation plan initiatives, the lower level of transformation related costs in the second half and the strength of our improving key end markets, we now expect to deliver 2017 adjusted EBITDA within a range of \$1.3 billion to \$1.4 billion. We are very pleased with our growth and look forward to continued progress in the coming quarters.

I'll now turn the call over to Mark Newman to cover the second quarter financials.

Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

Thanks Mark. Let's turn to slide 3. With strong business performance in this quarter, we saw year-over-year increases across all key financial metrics. We generated \$1.6 billion in revenue, a 15% improvement with broad based growth across all of our businesses. Excluding the 2016 portfolio impact from results, sales would have increased 21% in the quarter, a significant year-over-year improvement. Adjusted EBITDA of \$361 million nearly doubled year-over-year, reflecting our strengthening performance in 2017.

We saw significant improvement in profitability with a 900 basis point increase in our adjusted EBITDA margin even after making investments in our transformation activities and recording higher performance compensation costs. We also saw notable free cash flow improvement in the quarter up over \$100 million. This was driven by increased operating earnings which more than supported our seasonal use of cash for working capital purposes.

Our 27% pre-tax return on invested capital or ROIC increased from 9% in the second quarter of 2016. We remain focused on driving superior shareholder returns by improving profitability on existing assets and investing capital in high return projects.

As you can see on slide 4, adjusted EBITDA increased \$174 million versus the second quarter of 2016, driven by price and volume increases. In fact, higher pricing contributed over \$100 million of the improvement driven by Ti-Pure titanium dioxide, and to a lesser extent base refrigerants. These were modestly offset by lower fluoropolymer pricing, which abated in the last two quarters but remains a year-over-year headwind.

Volumes were up across all business segments, adding \$110 million to adjusted EBITDA. Fluoroproducts accounted for the majority of our volume growth with Opteon as the principal driver. Opteon refrigerants sales grew both in Europe and the U.S. due to our share in larger vehicles which require more refrigerant per vehicle. Fluoropolymers was also volume accretive in the quarter.

As Mark mentioned, we incurred transformation costs in the quarter, primarily related to third party consultants, who have been working with us to drive targeted growth initiatives and cost reductions. These costs along with increased employee performance incentives resulted in approximately \$40 million of higher costs in the quarter versus the prior year. This headwind was primarily reflected in our Titanium Technologies and Fluoroproducts segments. Additionally, Chemical Solutions reflected 2016 portfolio changes, which drove a \$10 million headwind to adjusted EBITDA. This was partially offset by favorable other income in the quarter.

On slide five, I'll now review our liquidity position. We ended the quarter with a cash balance of approximately \$1.5 billion. This reflects positive free cash flow including about \$70 million used to fund capital expenditures and the proceeds of our recent \$500 million bond offering. Including revolver availability of approximately \$750 million, total liquidity stood at about \$2.2 billion at the end of the quarter. Net operating cash flow was \$183 million, including an \$83 million use of capital for working capital. Resulting free cash flow was \$114 million, reflecting about \$100 million in year-over-year improvement.

Capital expenditures year-to-date totaled \$140 million. Our new Opteon and mining solutions facilities are under construction and we expect CapEx to ramp up in the second half of 2017 through 2018. We now believe CapEx for 2017 will be between \$400 million and \$450 million and about the same level next year.

Given our focus on free cash flow, we are proud of our year-to-date performance which improved nearly \$260 million. This excludes the impact of the DuPont prepayment received in 2016, which is now fully extinguished.

As I mentioned during the quarter, we completed a \$500 million offering of 10 year senior notes. We intend to use the net proceeds of the offering for general corporate purposes, including funding our current portion of the PFOA MDL settlement, which we expect to pay later this month.

Our net debt now stands at \$2.5 billion, translating into a net leverage ratio of approximately 2.2 times on a trailing 12-month basis. This is well below our net leverage target of 3 times, including our new debt and issuance, and demonstrates our significantly improved credit profile.

Over the last couple of years, we are focused on significantly improving our cash generation and strengthening our balance sheet. We are now actively working with our board to review our capital allocation strategy and expect to provide an investor update toward the end of this year.

I'll now turn the call back to Mark.

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Thanks, Mark. On slide 6, you can see that we generated \$729 million in revenue and \$193 million of adjusted EBITDA in our Titanium Technology segment. We saw a substantial customer preference for our Ti-Pure product line, resulting in 8% volume growth.

Volume increases were broad-based with improvements across all applications and regions. Notably high quality laminates grew double-digits year-over-year, while coatings and plastics also remained healthy sources of our growth.

As you know, demand for TiO2 tends to be in line with global GDP growth. However, this year our demand has trended above GDP in the high single-digits, a result of market supply tightness and customer preference for our Ti-Pure products.

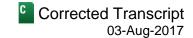
We value our longstanding relationships with our customers and we appreciate their support to work with us, given that extended lead order times continue to persist. Our circuit has been and will remain highly utilized for the rest of 2017.

We are working to meet our customers' needs as we fully ramp up our production at Altamira. In fact, to better address the needs of our customers, we continue to add production capability to allow different grades to be manufactured on our second line at Altamira. The product capability expansion beyond the initial design has reduced the original contemplated capacity. However, this will be offset across all of our manufacturing circuit and will not impact our overall nameplate capacity. With the addition of these grades, we are pleased with the ramp up progression at Altamira and expect to reach our production targets in 2018.

Moving to price in the quarter. The global average price for Ti-Pure titanium dioxide increased 14% year-over-year and 6% sequentially. In June, we sent letters to customers communicating additional price increases across our Ti-Pure portfolio. In line with our strategy to achieve value and use for our product offerings, the price communication amounts varied by application, grade and end user. We continue to implement these price increases in line with Ti-Pure's value and consistent with contractual agreements.

Segment adjusted EBITDA margins for Titanium Technologies improved nearly 800 basis points year-over-year to approximately 26%, despite the higher transformation and compensation costs previously mentioned.

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Sequentially, margins improved as price increases during the quarter were partially offset by those higher costs. Given the effective price actions in our current raw material outlook, we expect margins to show additional improvement throughout the remainder of the year.

Moving to slide 7, our Fluoroproducts segment generated \$710 million in revenue and \$197 million of adjusted EBITDA in the second quarter, translating into a segment margin of 28%. Our adjusted EBITDA margin improved almost 1,000 basis points year-over-year including the impact of transformation and compensation costs in the quarter.

Year-over-year revenue for our Opteon refrigerants doubled in the quarter. The Opteon ramp up continues to benefit from the U.S. market trend toward larger vehicles and strong auto production in Europe. Based on our first half results, we now expect revenue of Opteon refrigerants to increase about 60% in 2017 versus last year. As Opteon continues to grow, we look forward to the completion of our facility in Corpus Christi, Texas. Construction is progressing as planned, and we continue to expect the facility to be completed on time next year.

Moving to the remainder of our fluorochemicals portfolio, volume for our base refrigerants was slightly down year-over-year, however, prices were higher due to supply tightness out of China, and regulatory enforcement in both the U.S. and Europe.

Our fluoropolymers products saw double-digit volume increases also affected by China supply tightness, as well as the implementation of our increased market participation strategy. We're gaining traction on our previously announced resin price increase. While fluoropolymers price was down 1% year-over-year, it was slightly positive sequentially versus a 1% sequential decline last quarter. As we move into the second half of the year, we expect the fluoropolymers volumes to stabilize, while pricing headwinds continue to dissipate.

Let me now review the Chemical Solutions segment results on slide 8. Sales for the quarter were \$149 million, a \$65 million decline from the previous year quarter. Adjusted EBITDA of \$7 million was down \$4 million year-over-year, but we maintained an adjusted EBITDA margin of 5% for the quarter. Both sales and adjusted EBITDA were impacted by the divestitures and the closure of our Niagara facility.

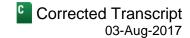
Volume in the segment increased 9% year-over-year with favorable contributions from both mining solutions and performance chemicals and in intermediates businesses. Prices also increased in the quarter which helped partially offset the impact of increased raw material costs.

Within mining solutions, demand for our offerings remain solid. We are currently operating at full capacity and expect this to continue throughout 2017. However, we are seeing increased competitive pricing pressure. We continue to provide our mining customers market-leading service, reliability and stewardship, which really distinguishes us in the marketplace.

As you may have seen earlier in the quarter, we broke ground at our new mining solutions facility, which is located in the state of Durango, Mexico. This facility will increase our capacity by 50% and allow us to better serve our customers in Mexico. We remain on track to complete this facility by the end of 2018.

Now turning to our outlook for 2017 on slide 9. Our results paired with further visibility into the second half give us confidence that we are on track to deliver a strong year of both top and bottom line growth, while continuing to invest in our businesses for the future.

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For the full year 2017, we now expect adjusted EBITDA to be within a range of \$1.3 billion to \$1.4 billion. We anticipate continued business strength across our portfolio, as well as lower transformation costs for the remainder of 2017. We expect this will result in adjusted EBITDA margin enhancement throughout the second half of this year.

This continued strength is based on customer preference for our Ti-Pure products, our Opteon refrigerant growth, our positive impact from base refrigerants, increased volume of fluoropolymers and the continued demand for our Chemical Solution products. We also expect our free cash flow to be approximately breakeven, including our \$335 million payment of the PFOA MDL settlement.

Again, I want to thank our team for their unyielding commitment to moving us forward as a company. We are well-positioned to benefit from improving end markets and are working to drive these benefits to the bottom-line.

We are pleased with the success of our transformation plan and are looking for additional opportunities to build on this foundation. By the end of this year, we look forward to sharing with you our vision for the next chapter for Chemours.

We'll now open the call for your questions.

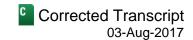
QUESTION AND ANSWER SECTION

Operator: [Operating Instructions] Your first question is from the line of P.J. Juvekar with Citi. Please go ahead.		
Eric B. Petrie Analyst, Citigroup Global Markets, Inc.	Q	
Good morning, Mark. It's Eric Petrie on for P.J.		
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	A	
Hey, Eric.		
Eric B. Petrie Analyst, Citigroup Global Markets, Inc.	Q	
How does auto OEM conversion to Opteon progress, and when do you expect full penetration	?	
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	A	
So Eric, you got to look at it around the world. Right, so, from a European standpoint, it has co vehicles have converted over to Opteon. So you're seeing the normal ramp up as well as the n		

In the U.S., you have about 50% penetration right now, that's going to move up over time. By the time we get to 2020, 2021 when the regulations in the U.S. kick in, that will move to 100%. But you'll probably see some level of ramp between now and then.

now moving up, and that's where the increase is.

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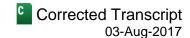
But remember, you have a whole another market specific to automotive, which is the aftermarket right, and the aftermarket builds as these new models get into place. So that continues to move as newer vehicles, 2017 model year and past require recharging, because they were in automobile crashes or other maintenance issues that might have.

So I think you're going to see this build occur through now through 2020, 2021, just in those two countries, and then you have the other countries that will come into play from a regulatory standpoint, countries such as Japan, countries such as Australia, already have those regulations in place.

Eric B. Petrie Analyst, Citigroup Global Markets, Inc.	Q
Okay, helpful. And then your raised guidance for the full year, would you say that's driven more by Titanium Technologies and TiO2 price increases, or stronger adoption in Opteon and growing earnings in the Fluoroproducts segment?	า
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	A
I'd say it's both. As we look at the – normally we have a stronger first half than second half but as we see the momentum here, one Titanium Technologies volume as well, we see really strong fluorochemicals uptick, to being a key of that. But we're also seeing strength in our fluoropolymers business. So when we look across board, we see momentum, and that's the reason that we brought the guidance up for the rest of the year.	Opteon
Eric B. Petrie Analyst, Citigroup Global Markets, Inc.	Q
Thank you, Mark.	
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	Д
Sure.	
Operator: Your next question is from Bob Koort with Goldman Sachs. Please go ahead.	
Robert Koort Analyst, Goldman Sachs & Co. LLC	Q
Thank you very much. Good morning.	
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	Д
Hey Bob.	
Robert Koort	Q

Mark I'm parallel processing here, one of your customers is holding a conference call as well and they complained about the shutdowns in China inflating the TiO2 market and maybe continuing for the foreseeable future. I was wondering if you might give us your perspective on what's going on in China in the TiO2 business at the moment.

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Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Yeah, so, I mean, what we're seeing Bob is there has been a bit of curtailment of supply out of China, as a lot of the manufacturers are under scrutiny with from environmental purposes. So some of those facilities have been shut down. We think some of those are temporarily shut down, some of those perhaps, permanently, so it's hard to tell. As you know it's not always easy to see through the opaqueness in China, but for sure, there is less supply coming out of China, primarily from the lower, smaller, lower tier sulfate producers. So I think that when you see that coupled with some of our competitors who had issues early in the year, with some of their facilities, I think you're seeing that coupled with a little bit stronger demand, probably a little bit stronger than GDP demand in the markets that we serve, and that's putting a little bit of pressure on right now.

Robert Koort

Analyst, Goldman Sachs & Co. LLC

And can I ask if there were lessons learned or a change in approach on pricing from the last cycle, obviously, it created some animosity with your customers and it was a pretty vicious down cycle after the gigantic up cycle. It appears this time you're being more tempered in the price hikes, maybe they're continuing to come, but it's not quite as aggressive. Is there a belief that your customer base can accommodate these price hikes if it's more gradual or consistent, or how do you think about that relative to the last cycle, and we're hearing a little bit of pain from some of those coatings customers at least in terms of margin pressure?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Yes, for sure, we are trying to not duplicate what happened in 2010 and 2011. I don't think we were good actor at that time. We've been very open about that, in terms of how we wanted to go forward, and we talked in these calls, but we talk very directly with our customers all the time about we saw continuous price movement going through this period. We want to do it in a way that allow them to be able to take that in and plan their business accordingly based on that, so we are trying to do it in a measured way.

No one likes price increases. We understand that. But our customer base is also very intelligent customer base, so they understand the dynamics of the marketplace as well, so our job is how do we work with them. And as you've seen, we've moved away from blanket price increases, we moved away from regional price increases, and we are going for a more targeted price increases. And that's really trying to reflect the value of our product, but also trying to work with our customers in a way that allows them to get that through best they can. So, yes, I think we're acting a very different way and hopefully, our customers are seeing that.

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Analyst, Barclays Capital, Inc.

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Yes. Good morning, fellows.

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

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Hey, Duffy.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Just question around reinvestment in TiO2. The Altamira plant that you guys built, I think came in around \$3000 a ton capital costs, if I just annualize your EBITDA in TiO2 in the second quarter, and divide by say 95% operating rates, you're making about \$650 a ton of EBITDA. So that would be kind of a 22% return EBITDA to capital. So is it time to start thinking about another investment in TiO2? And if not, kind of when should that discussion happen?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.



Yes. Duffy, I'd say the way we look at this, one is, every supplier has their reinvestment economics, everyone is different, right. So for us, yes, we have a lower-cost position and because of that it gives us probably better reinvestment economics, but we still feel like we have opportunity to unlock capacity out of our existing facilities, and that's really where we're spending our time and effort right now.

We have our facilities here in the U.S. and Mexico and in Taiwan, and there's opportunity there that we are spending some costs, maybe a little bit of capital to free up that capacity first. For us, that's the low hanging fruit from a capacity point of view. We want to exhaust that first, and we think we have a couple of years of opportunity there.

Duffy Fischer

Analyst, Barclays Capital, Inc.



Okay. And then if you exclude you guys and exclude the Chinese, what's your best guess, what's the capital cost of another Western player to build greenfield?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.



Yes, I don't know, if I can give you a good answer on that. You recited the economics for us really well. We had publicly said it's \$600 million investment for our second line at Altamira. I really couldn't guess at what it would be for a competitor.

Duffy Fischer

Analyst, Barclays Capital, Inc.



Okay. Thank you fellows.

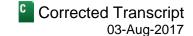
Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Sure.

Laurence Alexander	
Analyst, Jefferies LLC	G
Good morning.	
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	A
Hey, Laurence.	
Laurence Alexander Analyst, Jefferies LLC	Q
I guess first question just thinking about the higher performance grades that you're rollin is it fair to say that over a couple of years that's may be \$100 million, \$150 million of EBI beyond whatever end market price trends are doing?	_
And secondly, can you speak a little bit to your tax rate, I think a few quarters ago, you va few years to get to a mid-20% tax rate, what's your current thinking about that?	vere thinking it would take
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	Д
I'll let Mark answer the tax rate question, Laurence. But on the first one, we are actively of our TiO2 and maybe more than higher grades, just very unique and specific application one of our products, Ti-Pure Protect, which goes into the milk bottle market, which is a vunique product, where we, actually, are able to increase the value of milk or at least the shelf. So there's value and use that goes into that beyond just the TiO2 pigment itself.	ons. We've highlighted very unique product or
So those are the areas that Bryan Snell and his team really are focusing on, as well as a quality of our base products, but where can we have some unique products that really h and use. And I do believe over the next 2 to 5 years that will have a nice uplift in our EB margin for the whole product line. But from a standpoint on the tax rate, maybe I'll turn it	ave a significant value ITDA, nice uplift in our
Mark E. Newman Chief Financial Officer & Senior Vice President, The Chemours Co.	Д
Yes, thanks, Mark. Laurence, for year-to-date, we're still in the mid-20s, we're on 22% e we look at our cash tax rate, our view is we'd probably be in the mid-teens for the full ye tax rate will be affected obviously, by PFOA settlement that really affects our cash taxes view is we are still kind of mid- to low 20s effective book tax rate, and then probably mid tax rate, given our U.S. NOL position.	ar. Bear in mind that our here in the U.S. So our
Laurence Alexander Analyst, Jefferies LLC	Q
Thank you.	

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Operator: Your next question comes from Don Carson with Susquehanna Financial. Please go ahead.

Emily Wagner

Analyst, Susquehanna Financial Group LLLP

Good morning. This is Emily Wagner on for Don. Could you describe the current price environment for the different grades of ore and the outlook for the remainder of the year? And if you continue to get pricing on TiO2, will producers want to raise prices as well?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Emily, I'd say that when we look at, as you and everyone knows, we are able to utilize a pretty wide range of ores, right. So we could use ilmenites, we could use natural rutiles, we could use rutiles that are go through beneficiation. So it gives us a lot of flexibility. As we look at through our -- and we work our ore contracts in a way that we have laddered contract, so that we don't have any cliffs in a way that the team really sort of lays that out.

So we feel confident where we are for the next several years. Specifically, to your point, we are not seeing much movement on the ilmenite side. I'd say on the rutile side, we're starting to see a slight uplift from that standpoint, and I think that's common across the market right now. Normally, we see ore prices trail pigment prices and you're seeing that same phenomenon happening here. So from that standpoint, that's at least how we are seeing it right now.

Emily Wagner

Analyst, Susquehanna Financial Group LLLP

Okay. And then is it possible to give us an update on where you are with GenX concern and the costs associated with some of the mediation actions you're taking?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Yeah. So from the GenX point of view, this is something that we're working very closely and cooperating with the federal, state, and local government agencies in the area of Wilmington, North Carolina, in the Fayetteville in North Carolina and the U.S. We're working very closely with them. We made a voluntary decision to stop any of the affluent going out of that site. That was something that wasn't required for us to do. We just felt it was the right thing to do, as we're having these conversations, and there is a cost associated with that, and we built that costs in to the guidance for the rest of the year. So that's something that is fully contemplated in the guidance that we gave, Emily.

Emily Wagner

Analyst, Susquehanna Financial Group LLLP

Great. Thank you.

Operator: Your next question comes from John Roberts with UBS. Please go ahead.

John Roberts

Analyst, UBS Securities LLC

Thank you. Nice quarter.



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President, Chief Executive Officer & Director, The Chemours Co.

Thanks John.

John Roberts

Analyst, UBS Securities LLC

I usually think about your capacity being variable in TiO2 because of the ore quality you're running, but you talked about product rates affecting product volumes, now that Altamira is ramped, do you expect volume to vary more from ore quality or do you expect volume to vary more from the product mix you're running?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Probably more from product mix. John. I mean, for Altamira, just to make sure, it's clear to everyone. When we originally were building that facility, we were really thinking of that operating on just a couple of product lines, product types. And as we gone through this year, and really looked at our circuit and the demand that's coming to us, we've added more products to Altamira.

Overall, we think it's the right thing to do for the full Circuit, and it gives us the maximum capacity utilization, as well as costs position across that circuit to be able to do that. But I'd say going forward, right now, it would be more product mix that will give us the biggest benefit.

John Roberts

Analyst, UBS Securities LLC

And then secondly, I see that Arkema filed last month in Europe to enter the HFO refrigerant market. Are you planning for more competition in the market within the next couple of years?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Well, from our standpoint, we have a pretty strong patent position. We continue to protect that position with existing, as well as new patents. For instance, we have, working very, very closely with our customers as we develop blends that are in the stationary refrigeration, as well as stationary air-conditioning markets. And that's an area that we haven't talked a whole lot about. I think we'll talk a little bit more about that later in the year as we sort of give a picture of what the next couple of years look like, but those are ramping up really nicely in Europe specifically, from that standpoint.

So as I said before, over a long period of time, I can't imagine there will just be two competitors in this space, but I will tell you that we are working hard to protect our position and our IP, and that's not just in the base product, that's also in the many blends that we're developing for our customers as well.

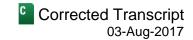
John Roberts

Analyst, UBS Securities LLC

Okay. Thank you.

Operator: Your next question is from Roger Spitz with Bank of America, Merrill Lynch. Your line is open.

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Roger N. Spitz

Analyst, Bank of America Merrill Lynch

Thank you. In Opteon, can you give what do you think the global market share split is between you, Honeywell and any others say in Q2 2017?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

No. I can't get into the specifics, Roger. What I've always said to folks is from our standpoint, I look at it as our sales force, I give them a lot of grief if they are not able to get a good lion share of that market share, that's our job, right, to be able to get it. But I can't give you a good split on market share there.

Roger N. Spitz

Analyst, Bank of America Merrill Lynch

Okay. And then secondly, you mentioned two near-term pricing pressures, one in mining solutions and the other for Chinese base refrigerants and fluoropolymers, could you comment what is driving each of those, I guess, those are three different ones?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Yeah, so, let me start with the base refrigerants, actually, base refrigerants, we're seeing price lift from that standpoint. What we're seeing in base refrigerants, as you might remember, there's a quota system in many of the countries that are ramping out those refrigerants. So you have a natural tendency the volume or supply is coming down, which normally moves price up. But at the same time, we've seen curtailment of some of the Chinese production facilities in those base refrigerants, which has put a little bit more pressure on supply in the marketplace, which has moved prices up. So actually price has gone up on the base refrigerant side.

On the fluoropolymer side, this is something we've talked about in the last couple of calls that we've had seen a bit of pressure on price there. This is an area that Paul Kirsch, our President of that business has been working with his team on, as we've been doing more demand creation in some of those markets, trying to really use where we have some unique products, if you will, or some specialized products. And I'd say because of the uplift in the oil and gas industry, the uplift in the semicon industry and the uplift in some cases in automotive, we're also seeing a volume pull on those businesses, and the price that was dropping the past couple of quarters has started to reverse itself. So that's starting to flatten out.

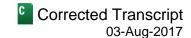
So I think we have a better price profile in our fluoropolymers business than we did a couple of quarters back.

And then in mining solutions, this is primarily going into the Americas, North America, as well as Latin America and South America, for gold mining. We have new competitors in place there, who are bringing capacity up, and that's really the issue that we're dealing with there. The market is growing significantly as well above GDP from a marketplace standpoint. So we see that price pressure occurring right now. This is something we think will abate over time, but it's just a period of time right now where volume is up but price is under pressure, and we're maintaining our volume.

Roger N. Spitz

Analyst, Bank of America Merrill Lynch

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For clarification on the Chinese on the base refrigerant fluoropolymers the supply tightness, is that due to environmental issues, or are they getting pressure like they are in TiO2, or is that for something else?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

It is. It's very much the same phenomenon we're seeing in TiO2 where the government entities are really looking at environmental performance of those facilities. And again, some of those we think will be shuttered and some of those might be temporarily shut down, as they repair or fix their environmental issues.

Roger N. Spitz

Analyst, Bank of America Merrill Lynch

Thank you very much.

Operator: Your next question comes from Brian Lalli with Barclays. Please go ahead.

Brian J. Lalli

Analyst, Barclays Capital, Inc.

Hey, good morning. Congrats on a great quarter.

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Hi. Thank you.

Brian J. Lalli

Analyst, Barclays Capital, Inc.

Just a few questions, if I may, on the cash flow and capital allocation side. First, and I appreciate that this is a bit of a housekeeping question, but just on the free cash flow breakeven comment, if I take the midpoints of your EBITDA and CapEx and then make assumptions around taxes and interest and working capital, actually you are generating something north of \$100 million of free cash flow. I suppose the answer may lie in some of those assumptions. So is there any guidance you could give us on some of those buckets, and namely working capital for the balance of the year?

Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

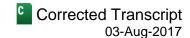
Yeah, Brian. I would suggest maybe a more detailed off-line conversation with Alisha in IR could probably help you there, in terms of some of the moving pieces, but I'd say working capital continues to be a headwind this year vis-à-vis, when you look at prior quarters. So EBITDA is up, CapEx is up, but depending on how volume and price and other assumptions play out in the second half, working capital will also be a bit of a headwind.

Brian J. Lalli

Analyst, Barclays Capital, Inc.

Okay, that's great. I appreciate it, Mark. And I can follow-up with Alisha. And then just my second one, looking at the balance sheet, obviously, your debt securities are trading pretty well in the market right now, particularly the new issue. I guess Mark, how are you thinking about the next maturity that 2023 that becomes callable in May of next year. I just curious if you started thinking about that as a liability management target over the next few months?

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Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

Yeah. I think it's probably too early to comment on what we would do there. I think we were very happy with the debt raise that we did in the quarter and with the PFOA payment likely to happen at the end of this month. I think it was very timely that we raised that debt then. Our debt securities continue to trade very well based on our financial performance, and so we think that gives us a lot of latitude as we move forward in terms of how we manage our balance sheet, but probably too early to comment on debt that's becoming callable next year.

Brian J. Lalli

Analyst, Barclays Capital, Inc.

Okay. I appreciated the time. Congrats again. Thanks, guys.

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

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Thank you.

Operator: Your next question comes from Jeff Zekauskas with JPMorgan. Please go ahead.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Thanks very much. I think earlier in the call you said that your Opteon revenues would be up about 60% for the year. Many of your customers now are very large auto OEM customers, and I would imagine that they have some purchasing power. So is there a negative mix in Opteon, and is the 60% revenue growth in line with a 60% volume growth? Or is the volume growth more like I don't know 100% this year?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.



Yeah. Jeff, I wouldn't say it's a 100%. But your thesis is right, around OEM. So as anyone knows, anyone who works with large OEMs understands that as you do long-term contracts or multi-year contracts with an OEM there is cost price kickers that go on throughout that.

So that's a mechanism that every auto manufacturer has if you want to have a contract beyond one year. And so that plays out over the next year, two years, three years, for sure. Now our job is how do we get our costs points lower from that standpoint, so that we can work on maintaining our margins despite that.

And that's one of the drivers of us building this new Opteon facility at Corpus Christi which gives us a lower cost of manufacturing toward the end of next year to help us with that as well. So, yes, these contracts for sure have price down movement over time. Our job is how do we maintain our margins through our cost of manufacturing.

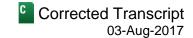
Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC



Then for my follow-up. I think you said that you expected your TiO2 volume growth to be high single digits this year, and so I was wondering where the volume was going? That is, in which region of the world were you growing much faster than the overall TiO2 growth rate?

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And what we've seen recently is some very sharp changes in currency values in TiO2's price regionally. So I was also wondering whether you were in the process of sort of targeting different markets, given some of the currency changes.

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

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Yeah, Jeff, first of all, you're right. As we said, our volume is going to be more or like low single digits. I would say the market itself is although it always trends above GDP, it's probably slightly above GDP as well at least in our view right now. Now, if you just look at, I think, our recent quarter is a good indication of where we are seeing volume growth. If you go across the world, we're seeing volume growth in all regions. But we saw more of it in Europe and stronger in Asia as well.

Europe ties very well with the comments I made before a lot of our laminate customers are seeing some nice growth. So that plays out in the furniture industry, where laminates play well, extremely well, maybe more than in North America, play well in Europe and Asia. So our laminate players are growing, probably beyond normal GDP. They are seeing some good growth rates, and we are seeing some good growth rates from many of our customers in Asia as well.

So I'd say our job is to really supply our key customers what they need when they need it. We can't say enough about the customers that we embrace, and they have been with us for a long time, and we really – they rely on us and we rely on them to make sure we're getting them the product that they need. But – and as you look at the regions and the currency differential, that's one of the reasons why we've moved our pricing to be end-user driven, products driven and customer driven from that standpoint. So we'll move those prices as we see the value for that and currency absolutely taken into account at time too.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

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Are TiO2 prices relatively level globally, or are there some regions where you think they are higher and some regions where you think they're lower?

Mark P. Vergnano

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President, Chief Executive Officer & Director, The Chemours Co.

I can speak for us, right. And I would say they're very narrow difference across the world right now, very close.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Thank you.

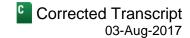
Operator: Your next question comes from Bob Koort with Goldman Sachs. Please go ahead.

Christopher Evans

Analyst, Goldman Sachs & Co. LLC

Hey, good morning. This is Chris Evans. Just wanted to get a little more color on your Opteon expansion Corpus Christi. You mentioned the cost reductions you're expecting. Is there any way to size or quantify that in terms of the margin or just the net cost take-out as you get closer to the customer and have a much more improved scale?

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Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Chris, we haven't disclosed that, obviously, we wouldn't disclose that for competitive purposes. But I can tell you that it is a lower cost facility, not just because of size, it's a much bigger facility, but also because of the process. It's a different process than we are using today to really get at some of those lower cost opportunities, and it's no - it shouldn't escape you that, it's located down in the Gulf Coast which is going to give us a benefit on raw material costs as well. So where it is, the size it is and the process, all three of those are contributing to why that's going to be a lower-cost facility for us.

Christopher Evans

Analyst, Goldman Sachs & Co. LLC

Thanks. And then just maybe on the fluoropolymer side. You try to get, you put up pricing actions in the market, it doesn't seem like those have really taken hold yet. Can you give us a little more color on maybe the longer-term outlook, and maybe what you think you could do in that business as it's sort of like lagging its partner in the segment?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Yeah, so, we've had some success in those price increases in the fluoropolymer space. It would be a mistake or a misleading if I said, we are going to get a blanket price increase across that that whole patch because it's – these are very different product lines. We sell membranes, we sell resin, we sell lubricants, we sell very different product types there, so each one has its own value and use, and each one of those has some set of competitors in terms of our ability to raise price.

I think as you look at this to your point longer-term, longer-term for us is how do we create more value for our customers. Right. And that is new products, and that is product that actually get either their costs down and what they're making, or give them an enhancement of what they sell versus what they have today. And that's where Paul is aiming his team right now more is application development for specific customer needs. That's where I think you will see the majority of our lift versus a blanket price increase across the entire segment.

Christopher Evans

Analyst, Goldman Sachs & Co. LLC

Thanks, Mark.

Operator: Your next question comes from Jeff Zekauskas with JPMorgan. Please go ahead.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

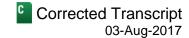
Thanks. Are there meanings, is there a meaningful use of Opteon outside of the auto markets, or if you look at how Opteon has progressed over the past year or two, how is the non-automotive application volume changed and how big is it?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Yeah. So the nonautomotive side of Opteon, as a market size is bigger than automotive, right. So there's really four big areas for use for the Opteon type product. Number one is automotive, and that's not only OEMs but also

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aftermarket. The second is commercial HVAC, and residential HVAC. We also have commercial refrigeration, and finally blowing agents, right, where this is used as a forming agent as well. Those are the four markets we have been going after.

Now regulation is coming faster on the automotive side, particularly in Europe, but that's moving very quickly in Europe to the other pieces as well and into the U.S. with a snap deregulation that occur in 2021. So all these markets are opportunities for us, and these are big opportunities across the board. Those other three are bigger than the automotive market itself.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Right, but are you selling any meaningful amount to the non-automotive markets yet?

Mark P. Vergnano

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President, Chief Executive Officer & Director, The Chemours Co.

Yes. Primarily in Europe, because that's where regulations are really enforced. And I'd say that that is playing out in the refrigerator, commercial refrigeration for sure. We had about 1000 supermarkets that we were supplying. I think that's ramping up pretty quickly to about 10,000. And then in the blends that were made for commercial HVAC, we're seeing tremendous uptick in Europe as well.

U.S. is going to lag that, but I can tell you our development efforts in the U.S. are just as intense, working with all our large customers on developing that. Because that's coming, that's away, that's coming behind Europe.

Jeffrey J. Zekauskas



Analyst, JPMorgan Securities LLC

Okay. And how specialized are the grades TiO2 that you're talking about producing or developing at Altamira? What are the applications of those grades?

Mark P. Vergnano



President, Chief Executive Officer & Director, The Chemours Co.

So I would say the applications are not that different. The applications are not that different than the end users were going into. Whether it's going into the coating industry, or it's going into laminate industry, or it's going into the plastic industry. But inside of the plastic industry, for example, we actually have some very unique products that allow us to get a different price point because they are adding a lot more value there. So, again, they're not going to be the bulk of our volume, but they are going to continue to be the value play that we can bring to our customers that can differentiate us from others.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Okay. Great. Thank you so much, Mark.

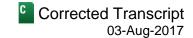
Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Sure.

Operator: There are no further questions at this time. I turn the call over to Mark Vergnano.

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Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Well, thank you, Ruth. And in closing, we are pleased with the progress this year and we'll continue to look for opportunities to strengthen our position of the company. Our three businesses are leveraging the leaner cost structure of the entire company to deliver favorable returns within each business. And again, we thank our employees, we thank our key customers for making this possible. So thank you all for your continued interest in Chemours.

Operator: This concludes today's conference call. You may now disconnect.

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