

03-May-2016

The Chemours Co. (CC)

Q1 2016 Earnings Call

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Director-Investor Relations

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President, Chief Executive Officer & Director

Mark E. Newman

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RBC Capital Markets LLC

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MANAGEMENT DISCUSSION SECTION

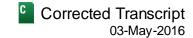
Operator: Good morning. My name is Carol, and I will be your conference operator today. At this time, I would like to welcome everyone to the Chemours Company First Quarter Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. [Operator Instructions] Thank you. I would now like to turn the call over to Alisha Bellezza, Treasurer and Director of Investor Relations.

Alisha Bellezza

Director-Investor Relations

Thank you, and good morning, everyone. I'd like to welcome you to The Chemours Company 2016 first quarter earnings call. I'm joined today by Mark Vergnano, President and Chief Executive Officer, who will begin with some highlights of the quarter. Mark Newman, Senior Vice President and Chief Financial Officer will then review the Company's financial performance for the first quarter. He will then turn the call back to Mark Vergnano to discuss additional details on each segments, provide an update on our transformation plan and discuss our 2016 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 will 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. Historical results prior to July 1, 2015 are presented on a standalone basis from DuPont's historical results, and are subject to certain adjustments and assumptions as indicated, and may not be an indicator of future 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 the turn the call over to Mark Vergnano.

Mark P. Vergnano

President, Chief Executive Officer & Director

Thanks, Alisha, and good morning, everyone. Really would like to thank you for joining the call with us today. To start the call, I want to highlight the solid progress we're making on our five-point transformation plan. We are executing on all facets of the plan, reducing costs, growing our market positions, refocusing our investments, improving or liquidity position, optimizing our portfolio and enhancing our organization.

Our cost reduction programs contributed over \$40 million of year-over-year savings this quarter, on track toward the \$200 million target for the year. We are successfully streamlining our processes and simplifying our organization and you can clearly see the benefits. Our titanium technologies team began implementing price increases this quarter, following our global announcement last December.

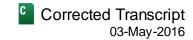
Keep in mind that we entered 2016 with TiO2 pricing more than \$400 perton lower than the average price in first quarter 2015. As a result of early implementation, we ended the first quarter at a higher price than we started the quarter, with North America pricing not effective until April. That said, profitability levels are still well below levels that ensure long-term quality supplied to support our customer's needs. This led us to announce an additional modest price increase in April.

We are working closely with our customers to successfully implement these prices, while meeting market demands in the face of tighter market conditions. In fluoroproducts, Opteon revenue growth was significant, both versus the previous year quarter and sequentially. As we have said, we have good visibility into demand over the next several years, given our multiyear contracts with automotive manufacturers. This demand strength, along with increasing demand for low global warming refrigerants into stationery applications reinforced our decision to invest in our new world class Opteon capacity at our Corpus Christi site.

As you saw yesterday, this \$230 million investment, over the next three years will triple our existing capacity, and support the growing demand for this innovative sustainable refrigerant. On the liquidity front, we ended the first quarter with \$435 million of cash. This strong balance was a result of the DuPont prepayment, the Beaumont aniline sale proceeds, and most importantly a notable improvement in seasonal working capital performance.

We expect continued working capital performance improvements throughout the year that will be a source of the cash for the company. As we bolstered our financial performance with cost reductions, supported key growth areas and improved our working capital performance, we also made significant progress on the strategic review of our chemical solutions segment.

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Last week, we announced that we signed a definitive agreement with LANXESS to sell our Clean & Disinfect business for \$230 million. This transaction, expected to close in the second half of this year is another example of taking the appropriate amount of time to find the right strategic buyer and results in a mutually beneficial transaction.

Finally, with the retirement of Thierry Vanlancker, our fluoroproducts President, we are pleased to announce the addition of Paul Kirsch to our executive team. Paul brings deep commercial experience from his recent time at Henkel, that will enhance our organization and help drive profitable growth in the fluoroproducts segment. We look forward to welcoming Paul to the Chemours team.

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

Mark E. Newman

Chief Financial Officer & Senior Vice President

Thanks Mark. Turning to Slide 3, we generated nearly \$1.3 billion of revenue and \$128 million in adjusted EBITDA in the first quarter. We reported GAAP net income of \$51 million, which includes an \$89 million gain on the sale of the Beaumont aniline facility, \$57 million in interest expense, and \$17 million of accrued restructuring charges. As in the past quarters, the impact of unfavorable currency movement and lower TiO2 prices were the most significant head winds, resulting in lower sales and adjusted EBITDA versus the previous year and sequentially.

However, the demonstrated cost reductions and growth from Opteon that we achieved significantly tampered those impacts. We experienced our normal seasonal use of cash for working capital during the quarter, but as Mark mentioned, we were pleased with the improvement in performance. We saw about \$156 million of improved free cash flow versus the prior year quarter, even after excluding the benefit of the remaining \$166 million of DuPont prepayment, and inclusive of cash restructuring payments in the quarter of \$32 million.

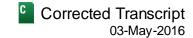
Turning to Slide 4, adjusted EBITDA decreased by \$17 million on a year-over-year basis. Currency headwinds reduced adjusted EBITDA by approximately \$22 million, with more than half of that in the fluoroproducts segment. Lower average selling prices in Titanium Technologies and the impact of pass-through lower pricing of raw materials in chemicals solutions reduced adjusted EBITDA by over \$100 million. This was partially offset by higher prices on base refrigerants undergoing mandated phase-out and the benefit of stronger Opteon sales.

While Mark will go into more detail around our cost reduction efforts in a few moments, I would like to point out that about half of our lower costs in the quarter were the results of transformation of planned savings with almost \$40 million in lower SGA costs across the company. We also be nefited from better operations in the quarter with no unexpected shut-downs and continue to see lower raw materials prices year-over-year as a pass-through benefit in our P&L.

Turning to Slide 5, on a sequential basis, despite seasonality, adjusted EBITDA was just \$4 million below that of the fourth quarter. FX headwinds reduced adjusted EBITDA by approximately \$6 million, mostly related to movement in Latin American currencies and the euro. Price was still a headwind across all segments during the first quarter. More than half of the lower prices were in the fluoroproducts segment as a result of unfavorable product mix.

As a just mentioned, lower raw material pricing continues to have a pass-through impact on our chemical solutions revenue. In titanium technologies, excluding currency, we saw global average TiO2 pricing decline by less than 1%. Opteon growth and broader participation in the fluoropolymer end markets contributed positively to

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EBITDA in the quarter versus the fourth quarter, despite base refrigerants and TiO2 volumes being seasonally lower as expected.

Finally, as anticipated, the technology and licensing activity that positively impacted the fourth quarter did not repeat itself to the same extent in the first quarter. Let me now provide a briefliquidity update. On Slide 6, you see that we increased our cash balance to \$435 million at the end of the first quarter, reflecting the sequential impact of the DuPont prepayment, the Aniline sale proceeds, and year-over-year working capital improvement.

Excluding the DuPont prepayment, we had a negative free cash flow of \$219 million. On a year-over-year basis, this is a \$156 million improvement, primarily driven by \$138 million from working capital improvements from a notable decrease in inventory, as well as lower accounts receivable balances. Cash from operations, along with the \$140 million in proceeds received on March 1 from the Beaumont Aniline transaction more than supported capital expenditures of \$89 million in the quarter. Overall, we believe we have adequate liquidity to support our businesses and drive our transformation plan forward.

I now will turn the call back to Mark.

Mark P. Vergnano

President, Chief Executive Officer & Director

Thanks Mark. On Slide 7, you can see that we generated \$521 million in revenue and \$54 million in adjusted EBITDA from the titanium technologies segment in the first quarter. We sold higher volumes year -over-year and we experienced minimal sequential seasonal decline. Volumes were more typical to nor mal first quarter results, compared with abnormally low volumes we saw in the first quarter of 2015.

At the end of December, we announced a modest price increase across all our TiO2 product lines, effective January 1 or as contracts allow. We began implementation throughout the first quarter billing higher prices in many parts of the world. As I mentioned, we ended the quarter at a price higher than where we started.

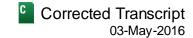
This improvement, along with concerted cost reductions were the first step on a path toward more sustainable margins. However, price levels are still not and sufficient to support the reinvestment necessary to support our customers' long-term needs. Therefore, we announced an additional increase in early April. We remain focused on improving our profitability.

We are also looking forward to the benefits of lower cost that our new Altamira facility will deliver. We are on track to begin commercial operations in the second quarter and we expect to operate the new line to its full capacity as we bring it fully online over the next several months. However, as we have previously said, we will dial back production at our other sites to offset the new Altamira volumes until our customer demand warrants additional production.

At the same time, we will continue our efforts to improve working capital performance, including inventory management in this segment. We reduced our raw material inventory holding by a notable amount in the quarter and are managing our operations with working capital metrics top of mind, while running at full capacity. From a demand perspective, we see the strong early start to the North America coding season and positive demand in Europe as good signs.

This combination, along with other factors have led us to increase our order lead times for our customers by about two weeks across many regions of the world. We are now working with customers worldwide, implementing the recent price increases and determining how best to meet their current needs. We believe our key customers

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understand and support these strategies as we are clearly committed to being a reliable source of high -quality TiO2 for the long-term.

Moving to slide 8, our fluoroproducts segment generated \$531 million in revenue and \$85 million in adjusted EBITDA in the first quarter. Revenue from our Optoen product line grew significantly year-over-year, due to rapidly growing demand from key automotive OEMs. We continue to expect the second halframp-up of Opteon as we support our OEM customers in meeting regulatory requirements in Europe.

Offsetting the Opteon refrigerant volume growth was a regulatory mandated reduction of base refrigerant volumes. Volumes of our fluoropolymers products increased year-over-year, driven by greater sales into industrial applications offsetting weak consumer electronic demand. Overall, the segment realized increased pricing, driven primarily by Opteon and higher prices for certain base refrigerants. This was partially offset by the unfavorable product mix in fluoropolymers that I just described.

As we have said, we believe that the Opteon technology offers the best sustainable refrigerant technology with low global warming impact and no ozone depletion. Opteon represents a significant opportunity for Chemours, given the expected demand growth going forward as it replaces older refrigerant technologies.

To capture this opportunity, we are going to triple our manufacturing capacity by investing \$230 million over the next three years. We will leverage the infrastructure that we already have at our Corpus Christisite with low-cost world class process capabilities. This new facility will be able to support the exponential growth that we expect, allowing our customers to put more than an estimated 40 million cars on the road using HFO technology by the end of 2017, and 140 million cars by the end of 2020. In addition to automotive applications, we also see strong demand in commercial refrigeration systems, with about 1,000 super market and commercial refrigeration systems worldwide using Opteon XP40 by the end of 2016, growing to as many as 10,000 systems by the end of 2020.

Let me now review the Chemical Solutions segment on Slide 9. We continue to see improving operating cost, driven by transformation initiatives across the segment in the quarter. These more than offset lower pass-through pricing impact and delivered stronger EBITDA performance year-over-year. As I previously mentioned, last week, we announced the sale of our Clean & Disinfect business to LANXESS for \$230 million. This represented another step towards completing our strategic review of the Chemical Solutions segment.

With the Beaumont sale completed, cost improvements in methylamine is ongoing and activity is under way to close our reactive metals business by year end. The only business that remains under review is our sulfur business. We have said in the past that we see this as a good business generating attractive EBITDA margins. We are still evaluating all the alternatives for this business, but when we do make a decision, rest assured, it will be to maximize value for the Company and our stakeholders.

On Slide 10, you can see that during the first quarter, our transformation of Chemours into a higher value chemistry company continues. We realized more than \$40 million of cost reductions, and we are on track to deliver the incremental \$200 million for the year and a cumulative \$350 million of savings versus 2015. We have streamlined our portfolio with the strategic review of Chemical Solutions nearly complete. We are focusing on and investing in our key commercial opportunities, Opteon, Altamira and cyanide. And we are bringing in key leadership to help support the organizational change that this transformation requires.

On Slide 11, we are reaffirming our outlook for 2016. For the full year, we continue to expect to deliver adjusted EBITDA above our 2015 performance and generate modestly positive free cash flow. We are improving our profitability in titanium technologies on the path to acceptable profit levels to cost reductions along with modest

price increases. We fully expect our new Altamira's TiO2 line to begin commercial operation in the second quarter as planned. In fluoroproducts, Opteon adoption and transformation savings will be the cornerstone of growth for the segment. Overall, we remain confident in our transformation plan and are very pleased with our progress.

Now, we will open up the call for your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question today comes from the line of Bob Koort from Goldman Sachs. Your line is open.

Christopher Evans

Goldman Sachs & Co.

Good morning, guys. This is Chris Evans on for Bob.

Mark P. Vergnano

President, Chief Executive Officer & Director

Hey, Chris.

Christopher Evans

Goldman Sachs & Co.

Strong volumes in the quarter. Just kind of wondering, you highlighted this as returning to seasonal historic levels, but just kind of wondering how you're seeing volumes or how you expect volumes to trend for the remainder of the year, if you expect a similar springback that you saw in the quarter?

Mark P. Vergnano

President, Chief Executive Officer & Director

So Chris, I assume you are talking about TiO2 volumes. Yes, they were up 12%. But if you go back to 2014 first quarter, they are similar kind of volume. So we've regained that kind of volume. If you look at first quarter 2015, there were some funky stuff that happened in 2015. We took some volume earlier or at the end of 2014. We also have regained share throughout the year last year. So this is a normalized volume for us. It's at the right place.

Christopher Evans

Goldman Sachs & Co.

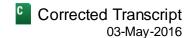
Got you. And maybe switching to Opteon, I was impressed by some of the numbers you threw out there, sizing the opportunities through 2020. You've given us some guidance in terms of what earnings you think you can get from Opteon by 2017. What's kind of the long-term plan you have? Those are pretty big numbers in terms of the stationary and the auto markets you're looking at. So how do you think we should be thinking about Opteon for the long-term?

Mark P. Vergnano

President, Chief Executive Officer & Director

We really haven't sized it past the mobile air-conditioning opportunity that's really in the horizon through 2018 because that's all regulated. We're working with our customers, we're working across the world to see the stationary opportunity as that develops, and its developing well. We're working hand in hand with our customers,

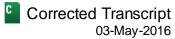
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whether they are train or Johnson Controls as they've put in, and they announced their new equipment using this kind of novel refrigerant. So I think it's a little early for us to be able to tell you what it looks like out to 2020, but we continue to gain confidence that we're continuing to drive that refrigerant through not just mobile airconditioning, but stationary as well.

Christopher Evans Goldman Sachs & Co.
Thanks, Mark. Nice quarter.
Mark P. Vergnano President, Chief Executive Officer & Director Thanks.
Operator : Your next question comes from the line of Laurence Alexander from Jefferies. Your line is open.
Laurence Alexander Jefferies LLC
Good morning. I guess first of all, on the divestitures that you are doing, can you aggregate the impacts on EBITDA for 2017, compared to 2016 run rate?
Mark E. Newman Chief Financial Officer & Senior Vice President
So, Laurence, are you talking about aniline and Clean & Disinfect? Or I just want to make sure we're answering.
Laurence Alexander Jefferies LLC
Yes, everything that's already been announced. So excluding sulfur.
Mark E. Newman Chief Financial Officer & Senior Vice President
Sure.
Mark P. Vergnano President, Chief Executive Officer & Director
Yes. I think what we had said previously on aniline was this was low single digits EBITDA. I think on C&D, based on the LANXESS announcement, they are indicating a number of about \$22 million in adjusted EBITDA. But that's excluding corporate allocations. So on a fully costed basis, the numbers I think are relatively small year-over-year, and we can take that offline in terms of specifics there.
Laurence Alexander Jefferies LLC
Okay. And then for the CapEx, for the option announcement, just to clarify, that's additive to the 325 , 350 run rates?

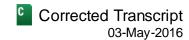
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Mark P. Vergnano President, Chief Executive Officer & Director	Д
No, that's inclusive. So as we have said, we are driving down our CapEx spend from where we wer through this year over the next couple of years. But what's inclusive of that is the – of the Opteon i well as our cyanide investment.	-
Laurence Alexander Jefferies LLC	Q
Perfect. Thankyou.	
Mark P. Vergnano President, Chief Executive Officer & Director	А
Sure.	
Operator : Your next question comes from the line of Jeff Zekauskas from JPMorgan. Your line is	sopen.
Youyou Yan JPMorgan Securities LLC	Q
Hi, this is Youyou Yan for Jeff. I think China TiO2 exports is up 12% year-to-date, year-over-year. correlate with global volume growth or does that mean that Chinese exporters are taking market s	
Mark P. Vergnano President, Chief Executive Officer & Director	Д
Yes. It's a good question. If you look at the last year or fourth quarter of last year, they were down have rebounded a bit, as you said, in the first quarter. As we look at that, it looks like that's happen Europe, and it's always been in Latin America for the most part. I think it's just filling some voids not — we haven't been able to do a pure market share look yet, but I think its primary filling in as you seen volume or demand increase in Europe. We have seen demand increase in Asia, a little bit strought. So I think it's more aligned with demand pull than it is about market share gains. That's a assessment at this point.	ning in Asia, ofvolume. We're olume. We've onger than we
Youyou Yan JPMorgan Securities LLC	Q
So sequentially TiO2 volume is down 11%. Is that a normal trend or does that mean fourth quarter stronger than the normal pattern?	2015 is
Mark P. Vergnano President, Chief Executive Officer & Director	А
I think it's a pretty normal trend in terms of when you look at the cycle throughout the year. I wou within the realm of normality of this business.	ld say that's

Youyou Yan
JPMorgan Securities LLC
Okay. Thank you.

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President. Chief Executive Officer & Director

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Sure.

Operator: Your next question comes from the line of Roger Spitz from Bank of America. Your line is open.

Roger Neil Spitz

Bank of America Merrill Lynch

Thanks. Good morning. On TiO2 prices, can you say what prices did actually on May 1 since that's now behind us?

Mark P. Vergnano

President, Chief Executive Officer & Director

n invoicing

Obviously, Roger, we don't give specifics on price from that standpoint, but what I will say is we've been invoicing our customers in the first quarter around the world at the new prices as our contracts allowed us to do that. As April has come through and the North America 90 -day roll-off occurred, we're invoicing at the new prices with all our customers as we ship them today. So the new prices are basically in effect, basically all around the world right now from the first increase that we put in. Obviously we announced a second increase and that will play out over the next several months, but the first increase is now fully implemented across the world.

Roger Neil Spitz

Bank of America Merrill Lynch

And you got most of what you were looking for; I take it? From the sign of what you're saying.

Mark P. Vergnano

President, Chief Executive Officer & Director

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We got a good yield from price. Again, we don't go specific in terms of our pricing to customers, but we feel confident on the yield that we were able to get.

Roger Neil Spitz

Bank of America Merrill Lynch

Thank you. And the second question is the reports on your PTFE business in the news, can you give us any sense of the sales and EBITDA of your PTFE business?

Mark E. Newman

Chief Financial Officer & Senior Vice President

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We don't break that out, Roger. And let me just make it clear to everybody, PTFE is an integral part of our fluoro business. It's a precursor for so much that we have. So not really sure how reports happen. Rumors are rumors and we don't comment on rumors, but the PTFE business is an important business to us.

Roger Neil Spitz

Bank of America Merrill Lynch

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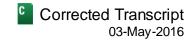
You mean it's not separable easily?

Mark E. Newman

Chief Financial Officer & Senior Vice President



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It's very connected into the chain. The beauty of our floral business is we go from floral chemicals all the way through to fluoropolymers, and that's what gives us a competitive advantage across the board. So it isn't something that we'd naturally look at hiding off.

Roger Neil Spitz

Bank of America Merrill Lynch

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Thank you very much.

Operator: Your next question comes from the line of Don Carson from Susquehanna. Your line is open.

Emily Wagner

Susquehanna Financial Group LLLP

Good morning. This is actually Emily Wagner on for Don. We were wondering, based on the current price momentum, do you still see TiO2 as a \$200 million EBITDA headwind year-over-year?

Mark P. Vergnano

President, Chief Executive Officer & Director



Emily, obviously as prices increase, that headwind decreases. And as we have said, and we've said in -I said in my opening comments, we are very determined to improve the profitability of this business, both on the pricing side as well as on our cost side. And the only way to do this properly is you have to work hand in hand with your customers. And that's what we're doing as we're implementing these two sets of price increases. We're working hand-in-hand with our customers to make sure they're getting the volumes that they need. We're getting them so that they can handle the pricing through their channel in the right way. So I would say that headwind will decrease as we're more and more successful with the price increases.

Emily Wagner

Susquehanna Financial Group LLLP



Thanks. And as a follow-up --

Mark P. Vergnano



President, Chief Executive Officer & Director

ton. So \$200 is an average for the full year.

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Emily Wagner

Susquehanna Financial Group LLLP

W

Got it. And then just on Latin America and the volumes within TiO2, could you just comment on what happened in the first quarter and may be an outlook for 2016?

Bear in mind that we're starting the year with price increase - the price delta year-over-year, more than \$400 a

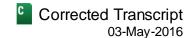
Mark P. Vergnano

President, Chief Executive Officer & Director



Yes. Latin America continued to be a weak area. If we go around the world, we see very strong volumes in North America, with a good solid coating season. We're very encouraged in Europe, strong volumes. Asia, surprisingly a little bit stronger than we had even planned for. But Latin America continues to be difficult across the board.

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Emily Wagner Susquehanna Financial Group LLLP	C	
Thank you.		
Operator: Your next question comes from the line of John Roberts from UBS. Your line is on	pen.	
John Roberts UBS Securities LLC	C	
Good morning, guys. Can you hear me?		
Mark P. Vergnano President, Chief Executive Officer & Director	Δ	

Yes. We got you. How are you?

John Roberts
UBS Securities LLC

Good. Thank you. I believe you plan to run an Altamira for maximum margin and not maximum volume initially. But do you have to run it at maximum volume for a period to prove it out?

Mark P. Vergnano

President, Chief Executive Officer & Director

Yes, John, actually we're going to do both. We're going to operate Altamira full-out. It takes a while to ramp up. So that full-out will be different volumes, you know, in the beginning versus 18 months to 24 months later. But we are going to basically utilize that full facility because it is our lowest-cost facility. But as we've said, we're going to ramp down the other parts of the circuits of that we're not adding more capacity into the marketplace beyond what our customers need.

I know that sometimes confuses folks when we talk about that, but we just have this unique opportunity to do that with our ore blends, to be able to really scale down some of our facilities. And if you look at our inventory levels in the first quarter, we're actively managing our working capital. We've brought inventories down, but it's also getting our inventories in the right place on these other facilities that will be ramped down as Altamira comes up. So this is all planned out very well. We think Altamira is still on track for this quarter start-up, but we will operate that full and it will ramp up as we get more confidence in the facility.

John Roberts

UBS Securities LLC

And then secondly, have you had any discussions yet to sell the sulfuric acid regeneration business?

Mark P. Vergnano

President, Chief Executive Officer & Director

So we are looking at the whole sulfur business, evaluating what we want to do with that sulfur business and all aspects of the look are there in terms of selling, keeping and partnering with others. So all of that is in play right now, John.

The Chemours Co. (CC) Corrected Transcript Q1 2016 Earnings Call 03-May-2016 John Roberts **UBS Securities LLC** Okay. Thank you. **Operator**: Your next question comes from the line of PJ Juvekar from Citibank. Your line is open. Eric B. Petrie Citigroup Global Markets, Inc. (Broker) Hi, good morning, Mark. This is Eric Petrie for PJ. Mark P. Vergnano President, Chief Executive Officer & Director Hi. there. Eric B. Petrie Citigroup Global Markets, Inc. (Broker) Based on current TiO2 pricing environment, where is the highest net-back for your incremental Altamira volume? And should we expect that the sales mix geographically would follow suit with 2015 volumes? Mark P. Vergnano President, Chief Executive Officer & Director Yes, Altamira specifically, you got to remember that Altamira, as we mentioned, always has been a - we've always said that it's our lowest cost production facility. But on top of that it gives us a lot of flexibility in terms of how we ship, because we have duty-free status so many places in the world, it just give us a lot of flexibility in how to utilize that facility in terms of whether we shipped it into NAFTA, whether we shipped it into Europe, whether we shipped it into China - or Latin America. So a lot of flexibility from that standpoint. So we will maximize that opportunity as we see fit and the asset just allows us that total flexibility. As we look at the globe right now, I would say as sort of I mentioned in the previous comments to Emily, we're seeing very strong demand in Europe and in North America and good demand over in Asia. So I think we will continue to work with our customers to ensure they have the product that they need wherever it is in the world

and our assets really give us the flexibility to be able to deliver that when and where they need it.

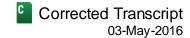
Eric B. Petrie Citigroup Global Markets, Inc. (Broker)

Okay. And then my follow-up question. You noted that you're reducing your raw materials at the plant. How many typical days of supply of ore do you hold? And then what is your current TiO2 inventory days?

Mark P. Vergnano President, Chief Executive Officer & Director

Yes, so on the finished product side, we like to operate somewhere around 60 days, or we're probably a little bit slightly under that right now. But on the ore side, that in the past has been dependent on the opportunity we have for ore buys. So I would say we haven't been that stringent on what ore inventories we would have, because we've always looked at where is the opportunity to buy because of the flexibility we have in different ore types. We've just put a little bit more discipline in the system over the past couple of months of trying to get those a little bit tighter and that's why you've our ore inventories come down over the last quarter.

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Citigroup Global Markets, Inc. (Broker)

Thanks.

Operator: Your next question comes from the line of Lauren Gallagher from Credit Suisse. Your line is open.

Lauren K. Gallagher

Credit Suisse Securities (USA) LLC (Broker)

Hi, guys. I'm wondering if you wouldn't mind dialing a little bit more on the Opteon. I believe you said that Opteon spending for 2016 is included in the CapEx guidance, but I was wondering if you could kind of talk about, one, the magnitude of how it ramps up over 2016, 2017 and 2018 and then kind of how much or how you will go about funding that going [indiscernible] (34:44)?

Mark P. Vergnano

President, Chief Executive Officer & Director

Yes, so the \$230 million overall is split between those three years. The heavy part of that is going to be 2017 and 2018 versus 2016; 2017, probably being the heaviest. So think of the majority of that spend being in the last two years. But again, as we've been talking, we've been working on how to ramp down our total CapEx throughout the next couple of years. And that fits all within our plan. So as we look at the Opteon spend, it's in the total context of what we're trying to do with CapEx and taking it down from the very high levels it was last year as we slowly ramp that down to the levels that we think are sustainable in the future.

Lauren K. Gallagher

Credit Suisse Securities (USA) LLC (Broker)

So \$350-ish million going forward is still fair to assume even with this project?

Mark E. Newman

Chief Financial Officer & Senior Vice President

Yes, Lauren, Id said that's where we're trying to get the company. It really has to do with where we're going with. We're going to maintain CapEx. It has to do with where we are on our portfolio. ChemSol assets were in many cases very CapEx heavy. I'd say our focus continues to be first on being free cash flow positive, which is part of our outlook for the year and to have CapEx ramp down over time. So all of these growth initiatives on cyanide and in Opteon were contemplated in getting our CapEx down to \$350 million over time.

Lauren K. Gallagher

Credit Suisse Securities (USA) LLC (Broker)

Okay. Perfect. Thanks for the confirmation.

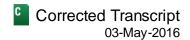
Mark E. Newman

Chief Financial Officer & Senior Vice President

Sure.

Operator: [Operator Instructions] Your next question comes from the line of Bill Hoffmann from RBC Capital Markets. Your line is open.

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Bill Hoffmann

RBC Capital Markets LLC

Just want to talk a little bit about the fluoropolymers headwinds, and just may be if you can help us — sort of how to think about that as you look towards the back half of the year, how much offset that provides to the Opteon improvement?

Mark P. Vergnano

President, Chief Executive Officer & Director

Bill, I would say, just speaking specifically about fluoropolymers, we have a — what we're seeing is a little bit of a mix shift. We're selling more in the industrial side than we do — have been in the consumer electronics space. The consumer electronics space, because of the slowdown there is really the reason that demand is a little bit down; higher margin opportunities than on the industrial space. So that's the mix change we are seeing there. The best way I could tell you to look at our fluoroproducts business as a whole is the upside in that business is really Opteon and our cost reductions from the transformation plan. Think of the rest as sort of balancing each other out. And that's how we manage the business. We obviously try to improve that as going forward. But that's the best way to think of it. Think of the upside as Opteon growth and the transformation playing cost reduction.

Bill Hoffmann

RBC Capital Markets LLC

And can you help us get this – on the ramp on the Opteon this year, just to give us a sense sort of point A to point B where you think you end up quarterly by the end of the year on an EBITDA basis?

Mark P. Vergnano

President, Chief Executive Officer & Director

Yes, what we've said is \$100 million of EBITDA over 2016, 2017 period. It's hard for us to call that any tighter for you right now, just because it's so dependent on the ramp-up that occurs between now and the end of the year. It's real clean for us to see that in January of next year, but hopefully as the quarters progress here, we'll be able to give you a little bit better picture of that as the ramp-up occurs.

Bill Hoffmann

RBC Capital Markets LLC

Okay, thanks. And if I could just ask one more, working capital, it looks likes you started off in a pretty managed [indiscernible] (38:29) DuPont contribution, but how do you think about working capital from here? Is there much more release you can get out of working capital this year?

Mark E. Newman

Chief Financial Officer & Senior Vice President

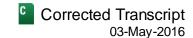
Yes, Bill, it's Mark. We had indicated on our last call that we thought there was probably a couple hundred million dollar working capital opportunity. And obviously we expect seasonality to still have an impact, which it did in the quarter. But being free cash flow positive this year, really ties to the input or improvements we plan to make in working capital that we will see throughout the year on a secular basis.

Mark P. Vergnano

President, Chief Executive Officer & Director

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Yes, so, hopefully, what you are seeing, Bill, and others are seeing is this is being managed. So this working capital work that Mark and the team are leading is really driving working capital down on a consistent, sustainable basis. And that's really what we're trying to do within the company.

Bill Hoffmann

RBC Capital Markets LLC

Q

Great. Thank you.

Operator: And our final question today comes from the line of James Finnerty from Citi. Your line is open.

James P. Finnerty

Citigroup Global Markets, Inc. (Broker)

Thank you. Good morning. Great quarter. Quick question on the CapEx just one last time. How much CapEx is going away with the assets that are being sold, so we can get a feel for the change?

Mark P. Vergnano

President, Chief Executive Officer & Director

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Yes. So if you look at the three businesses, C&D, aniline, and sulfur, the bulk of that CapEx spend of those three is probably in our sulfur business, and just because it's a high-maintenance type of a capital business. So, all in all, I'm not sure we have – let me ask Mark, James to --

Mark E. Newman



Chief Financial Officer & Senior Vice President

Yes. James, if you look at our entire ChemSol business, including everything last year, it was about a little over \$100 million, maybe about \$117 million, if I remember the numbers correctly. So that is really the starting point. And as Mark said, we take CapEx out as we move forward. Obviously, sulfur is one of the larger businesses in the portfolio, and also a fairly CapEx heavy business.

James P. Finnerty

Citigroup Global Markets, Inc. (Broker)

Okay. And then with regards to sulfur, just in terms of potential transactions, is the industry consolidated enough that it's hard to actually do a transaction that is strategic? Any commentary there, would be helpful.

Mark P. Vergnano

President, Chief Executive Officer & Director

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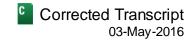
Yes. We're looking at both. We're talking to both strategics, as well as sponsors around this. It's an attractive business. It's a very profitable business. And as I mentioned in the opening comments, it's something that we're happy to continue to run. We're just looking for the maximum value for all of our shareholders and stakeholders here. And so from that standpoint, if we don't get the maximum value through a divesture, we'll get the maximum value by operating these extremely well. So I think there is interest in these because they are very high -quality assets, and we'll see in the next few months exactly where we go here.

James P. Finnerty

Citigroup Global Markets, Inc. (Broker)

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Okay. And last question, just in terms of the price increases that you've implemented so far, could you in a sort of generic sense give us an idea of — is there more success with smaller consumers of TiO2 relative to the larger consumers, just sort of relative to the commentary that's been out there from the coatings companies?

Mark P. Vergnano

President, Chief Executive Officer & Director

A

Yes, I would say that we are working with every one of our customers to implement the price increase. And as I mentioned, all invoicing, going forward – or all of our pricing going forward is with the new prices. So we're working with every one through this, independent of the size.

James P. Finnerty

Citigroup Global Markets, Inc. (Broker)

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Great. Thank you so much.

Mark P. Vergnano

President, Chief Executive Officer & Director



Yes. The only thing I'd add to that, James, is we're seeing net price improvement everywhere. And that's how we're measuring this is, is our net pricing improvement.

Mark P. Vergnano

President, Chief Executive Officer & Director

So thank you all very much for all your questions and always the interest you have in the company. In closing, I just want to say we continue to work really hard on transforming Chemours into what we're calling a higher value chemistry company. Our focus remains squarely on continuing our flawless execution of our transformation plan, which we've all shared with all of you and delivering \$500 million of improved EBITDA in 2017 over 2015, while we significantly improve our free cash flow and reduce our net leverage. So again, thank you all for the questions. Thanks all, for your interest in Chemours.

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

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