05-Nov-2015

The Chemours Co. (CC)

Q3 2015 Earnings Call

CORPORATE PARTICIPANTS

Alisha Bellezza
Director-Investor Relations

Mark P. Vergnano
President, Chief Executive Officer & Director

Mark E. Newman
Chief Financial Officer & Senior Vice President

OTHER PARTICIPANTS

Duffy Fischer
Barclays Capital, Inc.

Christopher Evans
Goldman Sachs

P.J. Juvekar
Citigroup Global Markets, Inc. (Broker)

Don Carson
Susquehanna Financial Group LLLP

Lauren K. Gallagher
Credit Suisse Securities (USA) LLC (Broker)

Laurence Alexander
Jefferies LLC

James P. Finnerty
Citigroup Global Markets, Inc. (Broker)

Jeffrey J. Zekauskas
JPMorgan Securities LLC

Brian J. Lalli
Barclays Capital, Inc.

John E. Roberts
UBS Securities LLC

Roger Neil Spitz
Merrill Lynch, Pierce, Fenner & Smith, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Kelly and I will be your conference operator today. At this time, I would like to welcome everyone to The Chemours Company Third Quarter Earnings Conference 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. Alisha Bellezza, you may begin your conference.

Alisha Bellezza

Director-Investor Relations

Thank you, and good morning, everyone. I'd like to welcome you to The Chemours Company 2015 third quarter earnings conference call. I'm joined today by Mark Vergnano, President and Chief Executive Officer; and Mark Newman, Senior Vice President and Chief Financial Officer.

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.

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.

In addition, 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.

Also note that historic performance prior to July 1, 2015 is presented on a standalone basis from DuPont's historic 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 news release and at the end of this presentation that accompanies our remarks.

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

Mark P. Vergnano

President, Chief Executive Officer & Director

Thank you, Alisha, and good morning, everyone. Thank you for joining us today.

Slide two provides the highlights of the quarter. This quarter was our first 90 days as an independent public company.

Our first order of business was launching our Five-Point Transformation Plan to improve earnings and over time, reduce the leverage of our company. We immediately began taking actions to focus on areas that we control; reducing our cost structure, improving productivity, supporting growth initiatives, and streamlining our focus on the highest growth opportunities.

We announced the shutdown of our Edge Moor, Delaware TiO2 facility along with a line at our New Johnsonville, Tennessee facility. In total, we removed approximately 150,000 tons of TiO2 capacity from our network, leaving us with a stronger, more efficient set of industry-leading assets. This, along with additional cost reduction efforts and productivity enhancements resulted in $60 million of transformation savings within the first 90 days.

We delivered another quarter of sequential growth from our novel Opteon product line, a new refrigerant technology with low global warming potential. This growth, along with improved operations, contributed to strong quarterly earnings in the Fluoroproducts segment, delivering segment EBITDA contribution in excess of our Titanium Technologies segment.

In short, between cost reductions, growth, and productivity gains, we saw about $70 million of sequential improvement versus the second quarter. However, we continue to face unfavorable currency movements and a weak TiO2 pricing environment. As a result, we realized a net $42 million sequential improvement in adjusted EBITDA.

In addition to these actions, we took steps to strengthen our financial position and adjust our capital structure. First, we worked closely with our Board to assess and set an appropriate dividend for Chemours. From that work, the Board declared a $0.03 per share dividend for the fourth quarter. We believe this is a level that we can increase or complement over time to deliver shareholder value, but one that is appropriate, given our current market conditions.

Second, we amended our credit agreement with our lenders. This amendment provides us with enhanced flexibility to implement and fund our transformation plan.

Turning to slide three, I'll spend a few minutes highlighting overall company performance, and then I will comment on each reportable segment. On a year-over-year basis the impact of unfavorable currency movements and lower TiO2 prices overshadow almost all other items, contributing to the lower sales and adjusted EBITDA. On a sequential basis, however, you can already see the benefits of our transformation plan. Despite essentially flat sales of $1.5 billion in the quarter, our adjusted EBITDA margin improved nearly 300 basis points over the second quarter, returning to a double-digit level. This reflects our concerted efforts across all our business units and in our functional groups to look for ways to simplify our structure and streamline our operations and it resulted in $60 million of sustainable cost saving opportunities.

Also notable in the quarter was our ability to maintain our cash balance in excess of $200 million, even after we paid the pre-spin declared $100 million dividend. Our capital expenditures are trending down as we enter this final stages of Altamira construction. We expect further improvement in working capital in the fourth quarter to be a source of cash.

Moving to slide four, we were able to moderately increase our volumes, both year-over-year and sequentially. We experienced volume growth in North America and in China over both periods. In Europe, Middle East, Africa, volumes were up year-over-year but down sequentially given normal seasonality. In Latin America, volumes were down year-over-year, primarily in Brazil, but flat sequentially.

While we saw pricing pressures in all regions, the intensity of the pressure appears to have moderated over the quarter. From the second quarter to third quarter, we saw low single-digit to mid single-digit percent decreases of price around the world, about half the change that we experienced between the first quarter and second quarters.

As I previously mentioned, during the quarter, we announced the shutdown of our Edge Moor facility in Delaware and ceased production in September. We took this action to address the declining demand from the paper industry.

Beginning in the fourth quarter, we expect to see cost benefits from these actions that will ultimately translate into $45 million of annual savings. As a result, we have increased the efficiency and further improved our industry-leading cost position in our remaining network.

We continue to make progress on our expansion in Altamira, a site that once completed, we expect will have the lowest cost position in the world. We remain on track to begin the commercial operations in the middle of 2016.

Looking ahead, we are monitoring regional dynamics and global economic trends closely. A soft demand environment could add pressure on short-term pricing. However, as I stated, and have stated for a while, we believe the current profitability is unsustainable long-term in the industry. For Chemours' Titanium Technologies, we believe our transformation plan cost savings and the startup of Altamira will help mitigate the near-term environment and allow us to continue to maintain notably higher EBITDA margins than others in the sector.

Moving to slide five, during the third quarter as previously described, our Fluoroproducts segment experienced a substantial improvement in sequential and year-over-year profitability. We are extremely pleased with the market reception to Opteon, our latest novel refrigerant technology with low global warming potential. Additionally, since May, we have not experienced any unplanned outages in our Fluoroproducts network. This has allowed for better operations and lower production costs. We did, and will continue to see the remnants of the second quarter Corpus Christi outage linger in our product costs, but we were able to mitigate them with transformation initiatives that lowered our segment costs overall.

Margins in the quarter benefited from those lower costs, along with a favorable mix delivered from the strong Opteon sales and higher prices in some of our base refrigerants that are under U.S.- mandated phase-outs. This was partially offset in the quarter by weaker than expected demand in the polymer businesses for our products, mostly related to lower demand for military and oil and gas applications.

As we look forward, we are looking to maximize our application development with key customers for specialty polymers, especially for consumer electronic applications where the properties can be titrated to meet increasingly demanding specifications. However, we are facing soft demand for our PTFE products that could partially offset the specialty growth.

For our new Opteon technology, the European directive is in place and mandating a change by January 1, 2017. This technology has become the industry standard for compliance in the automotive air-conditioning space in Europe with all manufacturers now adopting the HFO technology. We currently expect this refrigerant to be in about 25 million cars by 2020.

Additionally, we are seeing increased adoption of this low GWP technology in stationary applications. In 2016, we expect Opteon to be used in over 1,000 supermarket refrigeration units throughout Europe.

Let me now review the Chemical Solutions segment on slide six. We saw volume gains in both Sulfur and Cyanide. With a lot of the product lines in the segment based on pass-through pricing, and experiencing lower raw material costs in the quarter, pricing for this segment was down.

However, cost-saving initiatives more than offset the pricing impact and delivered sequentially stronger EBITDA performance in the quarter. A key aspect of our transformation plan is the strategic review of this segment, excluding the cyanides business. We expect this evaluation to potentially lead us in a few directions.

Clearly, there are several businesses that, while non-core to Chemours could have strategic and financial value to others. Additionally, we are uncovering opportunities to improve the segment profitability or instances where exit costs could be significant in the near-term. In these instances, making tactical investments or finding partners to invest in the assets or infrastructure of our existing sites could lead to the most optimal financial outcome.

This work is ongoing. We recognize that this evaluation may lead us to simply shut down unprofitable product lines or facilities. In all cases, we are working toward a streamlined portfolio.

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

Mark E. Newman

Chief Financial Officer & Senior Vice President

Thank you, Mark. Before I begin walking you through the sequential changes, let me describe a few charges that we took in the third quarter and provide a few comments on our tax rate.

As Mark mentioned, we announced the TiO_2 capacity shutdowns. As a result, we took a $126 million charge related to asset impairments and employee separation expenses. Also in the quarter, we shut down certain production lines in a fluoroproducts facility that resulted in a $10 million restructuring charge which is aligned with our transformation plan.

Finally, in connection with the strategic evaluation of the Chemicals Solutions segment, we conducted an asset review that resulted in a goodwill impairment charge of $25 million, and a fixed asset impairment charge of $45 million. All of these charges are non-cash and have been excluded from our adjusted results.

These charges also impacted our effective tax rate in the quarter. We recorded a $78 million tax benefit. For the full 2015 year, we now expect our cash tax rate to be around 20% to 25%. This rate is notably higher than our expected effective tax rate. However, we expect our cash tax rate after 2015 to be lower.

Now, on slide seven, our adjusted EBITDA increased $42 million to $169 million. We were able to offset unfavorable currency impact of $6 million as our transformation plan cost initiatives began to produce results and our fluoroproducts facilities operated as expected. As you can see, all of our segments realized notable cost savings in the quarter. These cost savings were delivered from restructuring actions that took place in the second quarter, as well as other initiatives. We also saw the benefits of lower pension costs that were retained by DuPont, as well as lower standalone costs. This final area is the result of continued focus on streamlining our organizational structure and only staffing for what we truly need at Chemours.

In total, we delivered approximately $60 million of sustainable cost savings in the quarter and expect this to increase in the fourth quarter and beyond as we begin to realize the benefits from the shutdowns and other actions that we took in the third quarter.

Looking at the segments, and absent the impact of currency headwinds, adjusted EBITDA in Titanium Technologies was down $9 million. In addition to cost savings, this was delivered by a 1% increase in volume, offset by a global average price decline of 3%.

In our Fluoroproducts segment, adjusted EBITDA, excluding currency was up $36 million. Cost reductions, favorable product mix, and normalized operations more than offset weaker fluoropolymer demand and higher product costs associated with previous outages. In Chemical Solutions, adjusted EBITDA was up $5 million, primarily as a result of cost savings initiatives.

Finally, Corporate and Other improved by $16 million. This is our first quarter as a standalone public company and implementing our new organizational model. As you know, all of our financial results prior to July 1st are presented on a standalone basis during which Chemours was a wholly-owned subsidiary of DuPont, and our reported cost included a portion of DuPont's historical corporate cost allocated to us.

As we have previously described, part of our management philosophy is to embed functional support costs within our business. We're doing this to push accountability towards the most efficient and streamlined infrastructure possible. As a result, only certain public company costs and legacy environmental and legal costs are held in the Corporate and Other segment. Our expectation is that our day-one standalone public company costs are lower than that with the historic DuPont allocation.

Turning to slide eight, on a year-over-year basis, currency headwinds reduced adjusted EBITDA by approximately $68 million. Approximately $40 million of this variance, flowed through our Titanium Technologies segment. The remaining currency impacted the Fluoroproducts and Chemical Solutions about equally.

In Titanium Technologies, excluding currency, adjusted EBITDA was $70 million lower year-over-year. We saw global TiO_2 pricing decline by 13%, again excluding currency, translating into $100 million decline.

Regionally, volume increases in North America, Europe, Middle East and Africa, and Asia-Pacific were partially offset by decreased demand in Latin America versus the previous year. This modestly higher volume of about 3% contributed to an increase of $8 million versus 2014. Again, lower operating costs partially offset the weaker pricings in the quarter.

Fluoroproducts adjusted EBITDA, excluding currency was up $35 million in the quarter. Higher prices and stronger volumes, driven by demand for Opteon refrigerants, Viton fluoroelastomers and specialty fluoropolymers increased adjusted EBITDA by approximately $25 million. Cost reductions benefit this segment by about $15 million, but were partially offset by increased expenses related to the impact of the second quarter Corpus Christi plant outage.

In Chemical Solutions, segment-adjusted EBITDA, excluding currency, was $10 million better than last year, primarily due to cost reduction initiatives.

Finally, in the quarter, $27 million in lower Corporate and Other expenses were related to a combination of benefits of prior-period cost reduction activities and the recent actions that we have taken.

Let me now turn to our balance sheet and liquidity on slide nine. We began the quarter with $247 million cash balance. During the quarter, we generated $113 million in cash from operations, including a $52 million increase in working capital. The operating cash flow supported $105 million of capital expenditures in the quarter and resulted in $8 million of free cash flow.

There were a few unusual items in the quarter that are non-recurring. First, tax assets, as previously discussed, several of the charges we took in the quarter resulted in a deferred tax benefit. We expect this to translate into lower cash tax rate in 2016 and 2017 as those benefits are realized for cash tax purposes.

Second, hedge gains; exiting the DuPont company, we maintained a similar hedging strategy, which resulted in over $70 million of realized exchange gains during the quarter.

And three; finally, there were several separation-related items that occurred on July 1st. These negatively impacted our operating cash flow, specifically our working capital by approximately $50 million. We also completed the $100 million dividend payment and ended the quarter with a cash balance of $215 million.

As Mark mentioned, we worked with our lenders in September and amended our credit facility. The amendment allows us pro forma credit of transformation plant cost reductions into the EBITDA definition for our covenant compliance.

We see this as an important step to help drive our transformation efforts forward. Until June 30, 2016, we will be able to get up to $115 million of pro forma benefits added to our EBITDA covenant calculations. The pro forma covenant cap then steps down to $80 million for restructuring actions announced prior to July 1, 2016.

Based on these credit terms, we had $753 million of funding available on our revolving line of credit, reflecting a total liquidity of $968 million at September 30th. We continue to expect a sizable unwind of working capital in the fourth quarter, based on seasonal patterns and a concerted working capital focus. We expect this will help ensure ample liquidity needs in the fourth quarter and into 2016.

Also in the third quarter, we recorded a payable to DuPont that represents an amount of cash at spinoff in excess of the target amount per the separation agreement. We expect to pay approximately $49 million by December 31, 2015. Both companies are still finalizing reconciliations of working capital, and other accounts, and the net amount due to, or from, DuPont will be settled in accordance with the separation agreement.

Before we move on, let me provide a brief update on our legal matters. As you are aware, Chemours faces several ongoing litigation matters, including asbestos, benzene, and PFOA. On October 9th, the first personal injury PFOA case concluded with mixed results. While we were disappointed in the damages awarded, we believe the decision not to award punitive damages demonstrates that we have always acted responsibly and reasonably. We have filed a motion with the trial court seeking a new trial. This is the first step in the appeal process.

We believe we have strong grounds for our position, including the view that there was an improper interpretation of the leach settlement. This is – interpretation relieved Mrs. Bartlett of her legal requirement to prove specific causation, which was further compounded in later rulings that prevented the defense from proving other likely causes of her disease. The judge will consider our motion, and the plaintiff will have opportunities to submit her own response and counter motions. We anticipate that this phase in the process could take anywhere from weeks to months at the court's discretion.

Depending on that outcome, we have the option to further appeal. We would not expect this appeal to conclude for about 12 months, following the conclusion of our appeal to the judge. So, as we have said, it will likely take until sometime in 2017 to determine the conclusion for this first case.

As we begin the appeal for the Bartlett case, we are preparing to run that process concurrent with the start of a second case. However, the court recently delayed the start of the second case until March 2016 at the request of both parties. This change in timing may further delay the remaining four other trials that have been slated to be heard in 2016.

We continue to expect this PFOA litigation will take place over multiple years. We believe we have always acted responsibly and reasonably with respect to PFOA, and we will continue to defend ourselves against these and other litigation matters that we have been assigned from DuPont.

In the meantime, we are focused on our transformation plan to deliver earnings improvement, and, over time, to reduce the leverage on our balance sheet.

Now, I'll turn the call back to Mark.

Mark P. Vergnano

President, Chief Executive Officer & Director

Thanks, Mark. On our last call, we laid out our five-point plan to transform Chemours into a higher value chemistry company. We are doing this by, one, reducing our structural costs significantly by simplifying our businesses. Two, optimizing our portfolio to focus on our leading position businesses. Three, growing our market positions where we have substantial opportunity to improve that leadership. Four, refocusing our investments on our core businesses. And five, enhancing our organization to support our transformation to a higher value chemistry company. We are focused on actions that we control to increase our adjusted EBITDA by approximately $500 million over 2015 and to reduce net leverage to approximately three times, both in 2017.

Turning to slide 11, now I'd like to walk you through how some of our more recent actions will provide sustainable additional benefits as we move forward. First, recall that the 2015 second quarter restructuring will deliver an annual savings of $80 million. In addition to that, as Mark described, we have continued to optimize our organizational structure and will realize incremental employee-related savings of approximately $20 million per year. Our lower pension expenses are providing another $40 million of annual savings.

Between the TiO2 capacity shutdown and the line shutdown in fluoroproducts, we expect to see benefits in the fourth quarter that will ultimately provide approximately $55 million on an annual basis. And finally, we are identifying and capitalizing on multiple ways to reduce our procurement and purchasing costs that we estimate will provide another $20 million to $40 million of annual savings.

In just four months, we have taken actions that we expect will deliver annualized benefits in excess of $200 million on our path to a total goal of $350 million in sustainable cost savings in 2017. As we look into the fourth quarter and beyond, these benefits will continue to be reflected in our financial performance. We expect Opteon to yield sequential and year-on-year profitable growth.

Balancing some of the growth and lower costs in the fourth quarter, we expect normal reductions in volumes due to seasonality in both our Fluoroproducts and Titanium Technologies segments.

Looking farther out, we remain cautious on TiO2 market dynamics, and weak global growth could have further negative implications on demand. However, as I said before, we believe the current pricing environment for TiO2 is unsustainable for the industry.

Obviously, we will benefit when pricing improves, but we will remain focused on what we can control, driving cost reductions and growth opportunities to the bottom line independent of the TiO2 environment. We remain confident in our Five-Point Transformation Plan, and we are very pleased with our progress thus far. We still have plenty to do, but we are, and will continue working hard on transforming Chemours into a higher value chemistry company.

Now we will be happy to open the call up for your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Duffy Fischer. Caller, please state your company name. Your line is open.

Duffy Fischer
Barclays Capital, Inc.
Q

Yes. Good morning. Barclays. Mark, just wanted to clarify. So in the outlook, the way you wrote it up, a few things down, but basically offset with cost, should we read that EBITDA should be flat Q3 to Q4, kind of that $170 million level?

Mark P. Vergnano
President, Chief Executive Officer & Director
A

Yes. Duffy, I would say that if you look at what we had talked about last quarter, right, which was, we want a $140 million of improvement over where we were in the first half, we've got $70 million of that in the third quarter. We're going to continue to do that, and TiO2 price is really what came down on us, as well as currency. So as we are looking at the fourth quarter, the way we are looking at that is, our improvements are going to continue, but we're going to have some headwinds around – potential headwinds around TiO2 price, but also volumes are going to be a little bit lower. So in that area I think is about the right way to think about it.

Duffy Fischer
Barclays Capital, Inc.
Q

Okay. And again, just more of a comment, that's the part we struggle with is kind of the base, because from that Q2 earnings call, you'd laid out the $140 million net you would receive in the back half. Attach that to what you made in the first half, so the implied guidance was kind of $412 million of EBITDA for the back half. Now it feels like the implied guidance is kind of $340 million to $350 million.

I guess when you go back, it doesn't feel like that much has changed macro wise for TiO2. I mean, prices were falling all summer long. What's kind of changed in your estimates between what you would have thought at the end of August and today as far as TiO2 goes.

Mark P. Vergnano
President, Chief Executive Officer & Director
A

Yes. Duffy, if you remember, what we said was $140 million improvement, right, from the first half to the second half, but that was assuming that TiO2, as it exited the quarter, would stay the same.

So, we basically were saying that price coming out of that quarter would hold for the rest of the year and that's how we had guided based on that. That obviously hasn't happened. That's exactly what's changed. So what's changed between now and then is prices in TiO2 have come down. That's the Delta. Currency hits us a little bit, but primarily -- the bigger issue is, price has come down in TiO2. But that's how we had set it up; I just want to be clear. We did set it up that way in terms of how we talked about it.

Duffy Fischer
Barclays Capital, Inc.
Q

Okay. Just, again, one more time, that was not clear to investors that basically the price was based on a June 30 TiO2 price remaining flat throughout the year, because, again, by the time we did the call in August, price had already declined, and it still felt like things were falling apart. So that's probably the disconnect then between where investors were and where you were. Okay. All right. Great. Thanks, fellas.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

I appreciate that, but we tried to be as clear as we could, so obviously we weren't.

Duffy Fischer
Barclays Capital, Inc.

Q

All right. Thank you, guys.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Yeah.

Operator: [Operator Instructions] Your next question comes from the line of Bob Koort from Goldman Sachs. Your line is open.

Christopher Evans
Goldman Sachs

Q

Good morning. This is Chris Evans on for Bob. Just good quarter in fluoroproducts. I was hoping maybe you could give a little more detail on what's going on there, I mean, the impact from Opteon relative to everything else. How much is that actually contributing in the quarter versus to the ITC case or the plants coming back online?

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Yes, if you look at it, we did have good performance out of our facilities, which we said last time, for the first half of the year, really, was a hurt of almost $10 million. So from the standpoint of improvement, it was good operation of the plants, but probably overshadowed by the uptick in Opteon.

Opteon continues to ramp up. That's really what is making that segment healthier and healthier as we're going forward. And that's going to continue going forward in the next several quarters, next several years. So Opteon by far is really the driver here.

Christopher Evans
Goldman Sachs

Q

You highlighted some weakness in the industrial polymer segment, which I believe was slightly larger than your chemical component. Any thought that that might – how big could that detriment be?

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Yes. That was maybe $5 million, $6 million of EBITDA for us in the quarter. That is a combination of two things, one is that outage that we had earlier in the year. A lot of that – remember fluorochemicals actually is a precursor for fluoropolymers, so it takes a long time for that to work through the snake, if you will, so that has come through inventories. We had a little bit of cost issues there.

We're also seeing a little bit more competition on our low-end PTFE, especially our PTFE fine powder business from the Chinese, so that is something that – I'm not worried about the cost side of it. The other side of it is probably something that's going to be competitive for us for the next several quarters. But it's not a huge amount, I guess, is my point, Chris.

Christopher Evans
Goldman Sachs

Q

Okay. And maybe just the Opteon, you talked a lot about Europe, any thoughts of that moving abroad?

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Yes. Well, it is being used in the US as well, although it's not mandated from a regulatory point of view, but many of the car manufacturers are using it in the US to be able to hit their CAPA standards. So we're seeing uptick in the US in addition to the big uptick we're seeing in Europe.

Christopher Evans
Goldman Sachs

Q

Thanks, Mark.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Yes.

Operator: Your next question comes from the line of PJ Juvekar of Citi. Your line is open.

P.J. Juvekar
Citigroup Global Markets, Inc. (Broker)

Q

Yeah. Hi. Good morning, Mark.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Hi, PJ.

P.J. Juvekar
Citigroup Global Markets, Inc. (Broker)

Q

Mark, can you talk about your inventories of TiO_2. What are your inventories versus where does the industry stand? And just talk about utilization as well.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Yes. So our inventories are about – our standard inventories, we might have had a little uptick, because, as you know, as we took down Edge Moor, we built a little bit more inventory as we finished up – we shut down Edge

Moor at the end of September. We wanted to build a little bit of inventory there for our customers, so we might have had a tiny bit of a uptick, but that was planned in terms of what we wanted to do.

Our utilization as Edge Moor comes down is probably above the industry utilization. We're in the low-90s to mid-90s from a utilization standpoint.

P.J. Juvekar
Citigroup Global Markets, Inc. (Broker)

Q

And then given that currently there is weak demand, how do you plan on ramping up Altamira when it comes online? Is that a slow ramp up? Do you see that – just talk to us about, how do you bring that capacity online?

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Yes. It's really the way we've talked about it all along. Although now we don't – we took out 150,000 tons from Edge Moor, so we are operating at very high utilization right now, and as we bring Edge Moor up, we'll be mechanically complete at the end of this year. It'll come up some point in the second quarter after we get all the prove-outs done.

We will ramp that up as quickly as the plant can handle the ramp up, because it's our lowest cost facility. And as we've said, we can ramp down the rest of our network based on bringing the grade of ore down. So in terms of how we handle the rest of our network, it's really about using lower cost, lower grade ores which affects our backend capacity but also takes our cost down. So it's a net cost benefit for us to bring Altamira up, and we can really, really monitor the amount of capacity that comes out of the total network. So bringing Altamira up, it will come up as quickly as it can.

P.J. Juvekar
Citigroup Global Markets, Inc. (Broker)

Q

Okay. And just lastly related to that, where does most of the production from Altamira – do you...

Mark P. Vergnano
President, Chief Executive Officer & Director

A

It actually is a very flexible facility, because it goes duty-free in a lot of places in the world. It's duty-free in Europe, it's duty-free obviously in the NAFTA region, so we have a lot of flexibility in what we do with Altamira anywhere in the world. So it will be a global facility for us.

P.J. Juvekar
Citigroup Global Markets, Inc. (Broker)

Q

Okay. So just mostly going to Europe and Latin America though?

Mark P. Vergnano
President, Chief Executive Officer & Director

A

I'd say that's probably the biggest percentage, but it has the capability and the grades we make to go anywhere in the world.

P.J. Juvekar
Citigroup Global Markets, Inc. (Broker)

Q

Okay. Thank you.

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

Don Carson
Susquehanna Financial Group LLLP

Q

Yes. Thank you. Mark, I want to go back to your comments where you thought that there's moderating price pressure, because at least looking at the industry indices, we had $0.05 declines in North America in Q2 and Q3, and it seems we're going to get a similar decline in Q4, which in percentage terms off of the lower base would actually not seem to be moderating price pressure. So is that more of an international comment or perhaps a comment that maybe currency pressure is moderating as well on offshore sales?

Mark P. Vergnano
President, Chief Executive Officer & Director

A

It was a global comment, Don. And it really was, I guess how we look at it from a dollar per ton point of view. So if we look at it for dollars per ton between first and second quarter, and second and third quarter, we saw a significant drop in the dollar per ton decrease, if you will, and we're seeing a next step-down between third and fourth.

Don Carson
Susquehanna Financial Group LLLP

Q

Okay. And then just as a follow-up, is your sense that other people need to take out capacity to – before we get any stabilization in pricing or is it more a demand recovery that you might see next year on perhaps better architectural coatings demand in North America?

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Yes. We'd like to see a little uptick in the economy. I think that would help us all. But at this point in time, we made the decision to take 150,000 tons out for a variety of reasons. It appears that, that might make sense across the industry.

Don Carson
Susquehanna Financial Group LLLP

Q

Okay. Thank you.

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

Lauren K. Gallagher
Credit Suisse Securities (USA) LLC (Broker)

Q

Hi guys. How are you doing?

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Hi, Lauren.

Lauren K. Gallagher
Credit Suisse Securities (USA) LLC (Broker)
Q

Good, good. Two questions, first, kind of wondering if you could share a little bit more about your priorities in Chemical Solutions, which segments you may attempt to tackle underneath the strategic review first and kind of any general sense of timing.

Mark P. Vergnano
President, Chief Executive Officer & Director
A

So if you look at it, Lauren, across-the-board, we have seven businesses inside of Chemical Solutions, all seven except for cyanides. Cyanides is one we want to invest in and want to grow, but the rest are all under review in terms of what we want to do with those. I don't think all of those are salable assets.

So we're looking at the businesses that have the most – best fit perhaps outside of Chemours and we started the sales process on several of those. And the others we are evaluating in terms of what we would do with them, either continue on or perhaps shut down. So we are evaluating all the rest of the six and we feel we'll be in a very good position by the end of this year with that process.

Lauren K. Gallagher
Credit Suisse Securities (USA) LLC (Broker)
Q

Okay. Great. Thank you. In terms of my second question, just quickly, regarding the working capital unwind, should start to happen in the second half of this year. Obviously it seems like working capital is a little bit of a 'use again' in 3Q. How should we think about working capital in the fourth quarter and then, obviously, subsequently free cash flow?

Mark E. Newman
Chief Financial Officer & Senior Vice President
A

So, Lauren, this is Mark Newman, and maybe just make a quick comment on Q3 first. It was a noisy quarter with a lot of opening items on our balance sheet after the spin, including $50 million in net receivables from DuPont related to a whole host of things. So that did add a bit of noise in the quarter. As well, as Mark mentioned, we did have the build of inventory at Edge Moor to facilitate closure and not disrupt customers. As we look forward, and as we've said previously, the working capital unwind in the second half of the year is typically significant. I think I've said previously several hundred million. And so, I think we anticipate a meaningful unwind here in Q4. And we may have got a little later start based on the spin and a little bit delayed coatings season, but we still anticipate, based on everything we are seeing, that this will be significant as we come through the end of Q4.

Lauren K. Gallagher
Credit Suisse Securities (USA) LLC (Broker)
Q

Okay. Great. I mean, I guess generically, in a normalized year, I'd imagine Q4 ends up being the bigger quarter of the two regardless.

Mark E. Newman
Chief Financial Officer & Senior Vice President
A

Correct.

Mark P. Vergnano
President, Chief Executive Officer & Director
A

That's right.

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

I think if you look at the Q3 comparison last year, and you'll see that it was relatively modest even though it was positive.

Lauren K. Gallagher
Credit Suisse Securities (USA) LLC (Broker)

Q

Okay. Great. Thanks for the time guys.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Thank you.

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

Thanks, Lauren.

Operator: Your next question comes from Walter (sic) [Laurence] Alexander of Jefferies. Your line is open.

Laurence Alexander
Jefferies LLC

Q

Good morning.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Hi, Laurence.

Laurence Alexander
Jefferies LLC

Q

So couple of questions. First, just to be clear on what you're trying to convey, given the confusion last quarter. Are you indicating that there is no significant distortions on the free cash flow bridge in Q4 to – that would offset the working capital? And related to that, you implied that you did not explicitly bless Duffy's bridge to $340 million to $350 million. If that is what you're trying to say, is that predicated on where TiO2 prices were at the end of September, or is that implication and tone from you based on what you know as of now?

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

This is Mark Newman. The guidance that we gave relative to the EBITDA bridge back in August, or basically, the end of Q2, I think we were clear that we weren't assuming any deterioration in TiO2 price and/or currency. And so, obviously to the extent we are seeing that, that should be netted from the bridge.

And I think what Mark said earlier is we anticipate that all of the items that contributed to cost reduction and growth in Q3 will continue in Q4. But obviously, we will continue to have headwinds that we've talked about, namely TiO2 price and currency.

With respect to liquidity, yes, I would not anticipate any of the unusual items that we saw in this quarter, including the $100 million dividend payment that shows up in the bridge going into Q4. So we would expect a more normal unwind of working capital.

I think we would anticipate similar levels of CapEx as we complete Altamira. And then the other thing that we haven't talked a lot about is as we focus on completing asset sales, there could be some proceeds there as well that show up in the bridge.

Laurence Alexander
Jefferies LLC
Q

Okay. Thank you.

Mark E. Newman
Chief Financial Officer & Senior Vice President
A

You're welcome.

Operator: And your next question comes from the line of James Finnerty from Citi. Your line is open.

James P. Finnerty
Citigroup Global Markets, Inc. (Broker)
Q

Hi. Good morning.

Mark P. Vergnano
President, Chief Executive Officer & Director
A

Good morning.

James P. Finnerty
Citigroup Global Markets, Inc. (Broker)
Q

Just to touch base on the guidance, I thought it was relatively clear from the second quarter call that you stated that pricing for the second half was assumed to be relatively similar to the first half. So I'm not sure what everybody else is talking about. But...

Mark P. Vergnano
President, Chief Executive Officer & Director
A

Yeah, James.

James P. Finnerty
Citigroup Global Markets, Inc. (Broker)
Q

Yeah. It's quite clear in the transcript. Separately from that, just want to talk about the PFOA litigation. One question we've gotten from investors is, just in terms of the size of the pool being around 3,500, if you could just clarify or explain why you're confident that that number won't change dramatically going forward. Is it based on a certain timeframe where people had to file by? Just any color there might be helpful for investors.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Yes. There is a timeframe. It's a two-year timeframe. It all triggers off of the medical monitoring work as well. So we feel – and in fact we just were talking about this as a team just the other day that, that looks like that's going to be fairly stable around that number. So we don't see that really changing dramatically, primarily because of the timeframe that the cases have to be filed.

James P. Finnerty
Citigroup Global Markets, Inc. (Broker)

Q

Great. Thank you for that. And just in terms of the second case moving, should we read anything into that? Is it more procedural or is there anything implied there in terms of potential settlements at this point?

Mark P. Vergnano
President, Chief Executive Officer & Director

A

No, don't read anything into it, especially around that piece. I would say it was going to start – it was going to cover through the Christmas holidays. It didn't really make sense for both parties to do that. So it was jointly agreed to by both sides to go ahead and start that later. But as Mark said, this is a long process anyway, so I wouldn't read anything into that James.

James P. Finnerty
Citigroup Global Markets, Inc. (Broker)

Q

Okay. And then just one last question on litigation. In terms of no sort of penalty on top of the compensation, would it be safe to assume that it's sort of a positive read-through that a jury that awarded such a large figure chose not to multiply that figure by two or three times? Sort of, it seems like a jury that was somewhat on the side of the plaintiff, however, they chose not to sort of penalize DuPont/Chemours for having acted in a way – maybe you can explain it better than I can.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Yeah. No. You are exactly right. We viewed it the same way. We were disappointed in the damages we were awarded, but at the same time, we were – it was a good thing that there were no punitive damages awarded and I think that demonstrates that we've acted responsibly and reasonably through this. So we saw that as a positive.

James P. Finnerty
Citigroup Global Markets, Inc. (Broker)

Q

Great. Thanks so much. Very helpful.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Thanks, James.

Operator: Your next question comes from Jeff Zekauskas of JPMorgan. Your line is open.

Jeffrey J. Zekauskas
JPMorgan Securities LLC

Q

Thanks very much. You've given out a tremendous amount of information in the call. I may have muddled something. Did you say there were $70 million in hedge gain from the quarter?

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

Yeah. We had realized hedge gains in foreign exchange. We basically adopted the DuPont hedging program going out of the spin and we recorded actual realized gains of about $73 million. They were offset by obviously losses on the underlying books, so for a net gain of about $44 million.

Jeffrey J. Zekauskas
JPMorgan Securities LLC

Q

And so where does that show up? So, in other words if you...

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

It shows up in the bridge in the Other – on the cash flow bridge it shows up – it's primarily the item that's reflected in the Other category.

Jeffrey J. Zekauskas
JPMorgan Securities LLC

Q

What I meant is, in Titanium, Fluoroproducts, Chem Solutions, Corporate, where does it show up there?

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

It's excluded from the definition of EBITDA, so it doesn't show up in adjusted EBITDA.

Jeffrey J. Zekauskas
JPMorgan Securities LLC

Q

It doesn't show up there. Okay.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

In the cash, Jeff.

Jeffrey J. Zekauskas
JPMorgan Securities LLC

Q

Okay.

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

And net income, but it's not included in the definition of adjusted EBITDA.

Jeffrey J. Zekauskas
JPMorgan Securities LLC

Q

Okay. And then, lastly, you're closing down Edge Moor. I think that that was a slurry-based TiO_2 that was produced there for the paper industry.

Mark P. Vergnano
President, Chief Executive Officer & Director **A**

Right.

Jeffrey J. Zekauskas
JPMorgan Securities LLC **Q**

Can you produce that at other plants, and order of magnitude, were you producing, I don't know 20,000 tons or 25,000 tons a year at that plant? Is that the order of magnitude of utilization?

Mark P. Vergnano
President, Chief Executive Officer & Director **A**

No. It was much higher utilization at that facility, Jeff. And one, it is closed, so we shut it down at the end of September.

Jeffrey J. Zekauskas
JPMorgan Securities LLC **Q**

Okay.

Mark P. Vergnano
President, Chief Executive Officer & Director **A**

And we have – we do produce the product at a different facility for ourselves. So we've already transferred that. We've done all the customer prove-outs, we've had very, very good work done by our team and great receptivity from our customer base around that. So we manufacture the product at a different facility now and it's – but it was much higher utilization than that, Jeff.

Jeffrey J. Zekauskas
JPMorgan Securities LLC **Q**

Okay. And can you frame the cash outlays for restructuring charges for the remainder of 2015 and 2016? That is the – you're taking a certain amount of charges, what are the cash outlays for that?

Mark E. Newman
Chief Financial Officer & Senior Vice President **A**

Yeah. In the quarter, the cash outlays for restructuring activity was approximately $17 million. So, obviously, as we announce new actions, there will be further increases in cash outlays to settle those obligations.

Jeffrey J. Zekauskas
JPMorgan Securities LLC **Q**

All right.

Mark E. Newman
Chief Financial Officer & Senior Vice President **A**

But very manageable in terms of our liquidity situation as we speak today.

Jeffrey J. Zekauskas
JPMorgan Securities LLC

Q

So the $126 million in employee restructuring and separations, will that – is that $126 million a cash outlay in the future?

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

Yeah. The $126 million actually is the Edge Moor, which is inclusive of about $15 million of employee. So that $15 million, you think of that being paid out generally speaking, over a one-year period. The rest is really a write-down of the asset value.

Jeffrey J. Zekauskas
JPMorgan Securities LLC

Q

Okay. All right. Thank you so much.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Thank you Jeff.

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

You're welcome.

Operator: Your next question comes from Brian Lalli of Barclays. Your line is open.

Brian J. Lalli
Barclays Capital, Inc.

Q

Hey, guys. Good morning.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Hey, Brian.

Brian J. Lalli
Barclays Capital, Inc.

Q

Mark Newman, couple questions for you. Maybe first on the corporate EBITDA line, I couldn't help but notice that this went down pretty significantly. I think it's only around negative $5 million this quarter. I don't know if that's more of a comment around reallocation of expenses as you take over the business, but what's the right way to think about that bucket going forward and maybe how that implies to the three segments' margins as well?

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

So I'd say there is three things happening here; the first and foremost is, our day-one standalone public company cost are lower than the comparisons to prior periods where we had an allocation of DuPont corporate cost. So, that's item one.

Two is there is some reallocation and we've – on our website, you'll see we have redone prior periods to match the allocation where essentially we're keeping certain public company cost and the legacy environmental and legal cost in this and basically forcing all other costs down to the businesses. And then the third thing I would say is, environmental and legal can be somewhat lumpy, so you may have a light quarter in one period and you may have a slightly heavier quarter, either based on seasonality or activity on each of these liabilities. So I'd say all three are factors here at work.

Brian J. Lalli
Barclays Capital, Inc.

Q

Got it. Understood. Thanks for the color. And then maybe my second question would be – it dovetails a bit with Jeff's question just before, but as we look out – maybe let's talk about 2016, and you've outlined this $200 million plus of run rate EBITDA enhancements. Could you maybe, for us, help size up the amount of cash restructuring expenses still needed to achieve those? I mean some of those will be achieved by year-end and will be already in the system. The pension cost I don't think has required any cash. Maybe just to help on a modeling standpoint?

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

Right. So I think the $17 million that we had in this quarter is primarily tied to, one, the head count reduction we took in Q2, and there's a little bit of a tail of a restructuring that was taken in the prior year. But the majority of that really relates to the restructuring that we took in Q2. So as we move forward and we take employee reductions, I think from a modeling perspective, you could take the charge and essentially have it unwind over a one-year period. I think that's the easiest way to do it.

On the asset restructurings, I think there's really no cash in the future. And then, with the Edge Moor plant closure, what we did talk about is the fact that at some point there may be some DNR-type activity to remediate the site, but I think the run rate that we're running at today is pretty indicative and then as we add further employee restructurings, you could sort of divide that by 12.

Brian J. Lalli
Barclays Capital, Inc.

Q

But just to level-set here, that would be implying that there's more in the future, which again, you talked about this $350 million target over 2017.

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

Correct. Now...

Brian J. Lalli
Barclays Capital, Inc.

Q

But for 2016, if you don't announce anything else – again, we're working hypotheticals here...

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

Yes.

Brian J. Lalli
Barclays Capital, Inc.
Q

Then you – again there's some amount that's in there, but is it $50 million, or is it a $100 million or...

Mark E. Newman
Chief Financial Officer & Senior Vice President
A

No, I...

Brian J. Lalli
Barclays Capital, Inc.
Q

I mean it should be – it sounds like a smaller number than $200 million by a lot.

Mark E. Newman
Chief Financial Officer & Senior Vice President
A

Yes. I think the $17 million run-rate is pretty indicative of where we'll be. Let's just think about it – the pension – lower pension cost has really no impact on us from a cash flow, the capacity shutdowns we've talked about. And then the final bucket is really procurement savings. In some cases, there is sort of minor breakage cost, but in most cases, you just pick up a prospective benefit moving forward without any real restructuring cash outlay.

Brian J. Lalli
Barclays Capital, Inc.
Q

That's great. That's helpful. And then one last quick one from me, just on the – you talk about your amendment, and I guess are you going to provide covenant-based EBITDA? – Or basically my question is, are you adding back the full $115 million right now? I know that it's a number that's based on what you, sort of, tell the banks from a future cost saving basis. So I don't know if you have buckets or thoughts on what you're adding back right now?

Mark E. Newman
Chief Financial Officer & Senior Vice President
A

Yeah. The $753 million of available revolver is based on the amended definition of EBITDA. So what we're trying to show here is where we stand today in terms of availability based on the amended definition. Obviously, you can see our reported EBITDA externally and – we go through a calculation at the end of each quarter to determine what are the pro forma adjustments, and they are fairly heavily reviewed.

Brian J. Lalli
Barclays Capital, Inc.
Q

Okay. I was wondering, if you were going to give us that number breakdown, basically the bridge from reported to covenant, but we can figure that...

Mark E. Newman
Chief Financial Officer & Senior Vice President
A

No, we – I think that math is not that hard.

Brian J. Lalli
Barclays Capital, Inc.
Q

Okay. Understood. Thank you. Thanks, guys.

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

Thank you.

Operator: Your next question comes from John Roberts of UBS. Your line is open.

John E. Roberts
UBS Securities LLC

Q

Good morning, guys.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Hi, John.

John E. Roberts
UBS Securities LLC

Q

On the 2017 deadline for new refrigerants in Europe, the auto industry there now has to deal with the issue of diesel emission testing. Even though they are unrelated, do you think the regulatory priorities could shift and refrigerant adoption for autos get delayed?

Mark P. Vergnano
President, Chief Executive Officer & Director

A

No. I really don't at all. In fact, we think that there's actually uptick, because this actually helps in some carbon footprint areas as well, so absolutely not. We don't see that delayed at all.

John E. Roberts
UBS Securities LLC

Q

Okay. And are there any early thoughts on the tax rate for 2016? Will the book rate start to decline from your earlier expectations?

Mark E. Newman
Chief Financial Officer & Senior Vice President

A

We haven't – really ready to give effective tax rate guidance. I think what we're saying is our cash tax rate, which is – we expect this year to be in the 20% to 25% rate, is likely to come down as some of these restructuring actions flow through.

John E. Roberts
UBS Securities LLC

Q

Okay. Thank you.

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

Roger Neil Spitz
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Q

Thanks very much. Good morning.

Mark P. Vergnano
President, Chief Executive Officer & Director
A

Hi Roger.

Roger Neil Spitz
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Q

If I heard correctly, I believe you said in the introductory remarks that the actual versus target working capital at the spin is not yet finalized. And if I heard that correctly, based on your preliminary calculations of the actual working capital at the spin, do you expect that true-ups to be a inflow or an outflow, and how large amount might that be?

Mark E. Newman
Chief Financial Officer & Senior Vice President
A

Yeah. We're still working on what that amount might be, and there's a lot of back and forth between us and DuPont to make sure we have all the pieces. So I think at this point what we're clear on is, we were started with $49 million above the targeted cash balance outlined in the Master Separation Agreement. And so we're pretty clear that that needs to go back. Everything else really is still under review between the parties.

Roger Neil Spitz
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Q

You're saying that $49 million is actually the $49 million relative – that you highlighted with the separation payment?

Mark E. Newman
Chief Financial Officer & Senior Vice President
A

That is correct. In other words, at the time of separation, there was a target cash balance...

Roger Neil Spitz
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Q

Right.

Mark E. Newman
Chief Financial Officer & Senior Vice President
A

...to start Chemours of $200 million, and we have verified between us and DuPont that we actually started with $249 million. I think our number at the end of Q2 when we reported was $247 million, so there's been a little bit of a true-up since then. So that's essentially what we know today is in excess, and then everything else is really being reviewed by the parties.

Roger Neil Spitz
Merrill Lynch, Pierce, Fenner & Smith, Inc.
Q

Okay. I didn't connect that that $49 million was the working capital true-up. My second question is can you speak about what is driving the PTFE volumes and perhaps pricing? Is it Chinese imports into the U.S. or is it something else driving that?

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Yeah. I would say it's primarily Chinese – exports out of China into all around the world. The Chinese economy has slowed down a little bit. We're seeing PTFE show up at a little bit lower prices around the world.

Roger Neil Spitz
Merrill Lynch, Pierce, Fenner & Smith, Inc.

Q

All right. Thank you very much.

Mark P. Vergnano
President, Chief Executive Officer & Director

A

Sure.

Operator: And there are no further questions at this time. I'll turn the call back over to Mark Vergnano, CEO, for closing remarks.

Mark P. Vergnano
President, Chief Executive Officer & Director

Thanks, everyone. And as I said in my previous remarks, we really remain confident in our Five-Point Transformation Plan and are very pleased with our progress thus far. We still have lots to do, but we are, and will continue to work hard on transforming Chemours into a higher value chemistry company going forward. So, again, thanks for your interest and your continued interest in Chemours.

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