# Final Transcript

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## SPEAKERS

**Mark Vergnano – President and Chief Executive Officer**
**Mark Newman – Senior Vice President and Chief Financial Officer**
**Alisha Bellezza – Director of Investor Relations**

## ANALYSTS

**Bob Court – Goldman Sachs**
**Duffy Fisher – Barclays**
**John Roberts – UBS**
**Lawrence Alexander – Jefferies**
**Michael Ramirez – Susquehanna**
**Christopher Perella – Bloomberg**
**Lauren Gallagher – Credit Suisse**
**Brian Lolli – Barclays**

## PRESENTATION

**Operator:** Welcome to Chemours Company Second Quarter Earnings Call. My name is Kris and I will be your operator for today's call. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. Please note that this conference is being recorded.

I will now turn the call over to Ms. Alisha Bellezza, Director of Investor Relations. Ms. Bellezza, you may begin.

**Alisha Bellezza:** Thank you and good morning, everyone. I'd like to welcome you to Chemours Company 2015 second 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 we are providing in our presentation and on our website will contain forward-looking statements. 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. Forward-looking statements involve risks and uncertainties including those described in the documents Chemours has filed with the SEC. 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 historical results 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 news release and at the end of the presentation that accompanies our remarks.

I'll now turn the call over to Chemours' President and CEO, Mark Vergnano.

**Mark Vergnano:** Thank you, Alisha. Good morning, everyone. Thank you for joining us today for our first conference call as an independent public company. As you know, we completed our separation from DuPont on July 1, 2015. A great deal of work went into preparing for day one by the entire team and I'm pleased to report that the transition has been a smooth one for both our customers and our employees. We achieved a significant milestone and we take a lot of pride in that accomplishment.

Chemours has been operating in a challenging environment for some time now and the second quarter was no different. Declining TiO2 prices and currency headwinds as well as some unplanned outages depressed our results. Mark Newman, our CFO, will provide specific details in our second quarter shortly. But before that I want to take a moment to explain why we're excited about Chemours' potential and the opportunities that lie ahead.

Given our starting point as a highly levered Corporation, we've been focused on developing a transformation plan to drive earnings and cash flow improvements that are not dependent on recovery in the TiO2 market. That is our top priority. Today we're announcing the results of that work, our five-point plan to transform Chemours into a higher value chemistry company. We're confident that this plan will create substantial value for our shareholders and our customers with our initial focus on delevering the company. I'll take you through the details and how we expect to deliver approximately $500 million in an incremental adjusted EBITDA over 2015 and a reduction of our net debt leading to a leverage of approximately three times net debt to adjusted EBITDA, both in 2017.

Beginning now and through the balance here we are targeting to improve adjusted EBITDA by around $140 million over the first half of 2015 results. We see this improvement coming from savings as a result of the second quarter restructuring, normalization of our Fluoroproducts operations, and the continued ramp-up of Opteon refrigerant sales. Our new independent board of directors is fully engaged in our strategic direction and capital structure decisions. With their support we are beginning to review strategic alternatives for our Chemical Solutions segment, excluding cyanides.

For cyanides, board approved an investment to increase our capacity by 50%. We expect to start construction this year and anticipate the new capacity to come online in 2017. Additionally, we have been working closely with our new board in assessing an appropriate dividend for Chemours as an independent company. We expect our dividend, from the fourth quarter forward, to be significantly less than the $100 million of third quarter dividend declared by DuPont. The intention, as I've said before, is to set a sustainable predictable dividend for Chemours.

We're taking into account our financial policy of strengthening our balance sheet, investing selectively in key businesses, and responsibly returning cash to our shareholders. We are also considering where the company is today and in the near term expected improvements from the transformation plan. We'll continue to work closely with our board and we expect we'll have more to say on the dividend later this quarter.

With that, I'll now turn the call over to Mark Newman to cover our financial results in greater detail. Mark?

**Mark Newman:** Thank you, Mark. As Mark said, our entire leadership team has been focused on day one as a public company. We're all excited to be here and look forward to returning our attention now to driving results. Before I turn to the financial results on Slide 3, let me remind you that these results are presented on a standalone basis from DuPont's historical results.

On this slide is a quick summary of the quarter showing the impact of currency headwinds and weak TiO2 pricing on revenue and income. Net income was further impacted by the $61 million charge related to the second quarter restructuring and $28 million of interest cost related to the debt raised earlier in the quarter. Adjusted EBITDA was $127 million versus $235 million in the prior year quarter. As mentioned, our results this quarter were negatively impacted by lower TiO2 pricing, unfavorable currency headwinds and higher expenses related to Fluoroproducts plant outages. In the quarter we experienced a longer than expected plant outage at our Corpus Christi facility that impacted other locations. Let me take you through these impacts in more detail on Slide 4.

On a year-over-year basis, currency headwinds across our business reduced adjusted EBITDA by approximately $48 million. Most of this was due to unfavorable movements in the euro, Brazilian real, and Japanese yen against the dollar. Approximately $34 million of this variance flow through our Titanium Technologies segment.

In the Titanium Technologies segment excluding currency adjusted EBITDA was $81 million lower year-over-year. We saw a global TiO2 pricing decline by 11%. Regionally, second quarter volume declines in Americas and Asia Pacific regions were mostly offset by increased demand in EMEA versus the prior year. This modestly lower volume was about 2% down versus 2014. However, low operating cost partially offset the weak of prices and volume impact in the quarter.

Fluoroproducts adjusted EBITDA excluding currency was up $3 million in the quarter. Higher prices and stronger volumes, driven by a demand for Viton fluoroelastomers, Opteon refrigerants, and PTFE increased adjusted EBITDA by approximately $18 million. This was mostly offset by $15 million in increased expenses related to the impact of the Corpus Christie plant outage. We were able to bring the plant back online by the end of May and expect normal operations and lower costs for the remainder of the year.

In Chemical Solutions, segment adjusted EBITDA was slightly below last year due to unfavorable product mix. Finally, in the quarter $19 million in lower corporate and other expenses were recognized through allocations from DuPont which were related to benefits from previous period cost reduction activities.

Turning to Slide 5, looking on the results, on a sequential basis from the first quarter of 2015 our adjusted EBITDA was down approximately $18 million. This can largely be explained by the unfavorable currency impact of $10 million and plant outage cost in our Fluoroproducts segment. Absent the impact of currency headwinds, adjusted EBITDA in Titanium Technologies was up $3 million. This represented a

23% increase in volume with growth in every region reflecting seasonal demand offset by global average price decline of 6%.

In our Fluoroproducts segment adjusted EBITDA excluding currency was down about $12 million, again, primarily due to the impact of the Corpus Christi plant outage. We continue to see sequential increases in demand for both our Viton and Opteon product lines. In Chemical Solutions results were up $4 million primarily related to sequentially stronger volumes. Finally, corporate and other expenses in the second quarter were $41 million which included allocation of corporate and functional support costs along with Chemours' related environmental and legal costs. In the quarter we saw seasonally higher environmental expenses which were partially offset by lower corporate costs.

Speaking about our environmental liabilities, on Slide 6 I'd like to take a moment to distinguish between environmental liabilities and our litigation matters. We recognize that there seems to be some confusion between these matters. Let me emphasize that these are distinctly different topics. You can find a more detailed description of each in the appendix to this presentation and in our SEC filings. Today, I will deal with each in turn.

Our environmental liabilities are well understood and well managed and the annual expenses we incur are included in our adjusted EBITDA. As we have disclosed we have received notification for approximately 170 sites. Of those sites, 65% have no liability or the matters have been resolved. Active remediation is underway at the remaining sites. As of June 30, 2015, we have accrued a liability of $302 million which reflects our estimates of activities that will require an average of 15 to 20 years to complete. This was based upon our historical experience and our current view of site specific situations.

If the time horizon extends another 20 to 30 years or if levels of activities change significantly, our potential liability may increase. It is important to understand that these are well understood and the current team has been monitoring these liabilities for many years. We currently expect about $55 million of cash outflows per year related to these liabilities over the next three years to cover these activities, inclusive of the pumps [indiscernible] remediation that we expect to start this year.

Now, let me review our litigation matters. Again, these are separate from our environmental reserve. Our asbestos litigation accrued liability of $38 million is a collection of cases alleging personal injury from site exposure between 1950 through 1990. We expect to handle these cases in a consistent manner and cannot estimate the time horizons to finalize them. Again, these cases are well understood and we have an experienced team handling them.

Turning to PFOA, let me start by providing some background. In 2001, a class action suit was filed in West Virginia state court and a settlement was reached in 2004. As a result, a science panel was formed to determine whether there was a probable link that existed between PFOA exposure and human disease. The science panel found probable links to six conditions but the science panel has not determined or made no findings that PFOA exposure has caused or will cause any human disease.

Additionally, as part of the settlement we are providing water treatment to six area water districts and we have a 14 million liability accrued to cover these activities. However, one of these districts is pursuing monetary damages and injunctive relief and this trial is set to begin in 2015. Currently, we do not have an accrued liability for this matter. Also, as part of the 2004 settlement, we agreed to provide medical monitoring for class members without a diagnosis of one of the six conditions. Participation in this program is voluntary and from January 2012 the initial funding or $1 million escrow account until today. Total eligible claims for reimbursement have not triggered additional funding obligations and we are required to replenish the balance once it falls below $500,000.

Arising from the settlement terms we have approximately 3500 individual personal injury claims pending with the majority of these cases related to high cholesterol and thyroid disease. Each individual claim is expected to be handled independently one by one. The first trial is scheduled to begin in September with another following in November and four additional trials are scheduled during calendar year 2016. The remaining law suits are expected to essentially be inactive during that time. We believe that we have acted responsibly during every step of this process and we will continue to defend our self vigorously over the coming years. We have not set a reserve for the personal injury law suits or the medical monitoring fund at this point. Although we regularly review the information available we feel that a range of possible exposure cannot be estimated at this time.

Now, let me turn to Slide 7 which really outlines our starting liquidity and balance sheet. As part of our separation agreement we had a target cash balance of $200 million. As of June 30, 2015 our cash position of $247 million was in excess of this target. Our starting cash balance is subject to a true-up [ph] with DuPont under the terms of the separation agreement and we expect to have more insights into this as we progress through our third quarter.

Based on our credit terms we have $385 million of funding available on our revolving credit line. This is reflected in our total liquidity position of $632 million at the beginning of the quarter. Based on historical performance and our current forecast, we expect that the second half will deliver a meaningful seasonal unwind in working capital and that cash is expected to support our funding needs for the remaining of the year.

At June 30th, gross consolidated debt totaled $3.9 billion and net debt was just under $3.7 billion. Based on our trailing 12-months adjusted EBITDA of $712 million our net debt to the adjusted EBITDA was about 5.2 times. We believe the starting leverage position illustrates the need to focus on strengthening our balance sheet going forward. We expect to aggressively improve our leverage position over the next few years. Shortly, Mark will outline how we plan to drive earnings growth through 2017 that will naturally deliver our balance sheet. This plan is also expected to streamline cap ex and working capital requirements to maximize cash generation.

Before I turn the call back to Mark, let me provide you a bit more detail on our expectations for the remainder of the year. On Slide 8 you will see that during the second half of the year we're targeting a range of around $140 million of adjusted EBITDA improvement over our first half results. Our second half performance assumes that TiO2 pricing is at or near cyclical lowest. We expect $40 million in savings primarily in SG&A and plant fixed costs from the restructuring announced in the second quarter. As we previously described, the actions taken were headcount reductions most of which were effective in June. In our 10Q you will find an allocation of the costs associated with the restructuring that can be used as a proxy for the distribution of the savings across our business segments.

Next, we anticipate $50 million to $60 million in cost savings from a number of other sources. First, we will see lower pension related expenses of approximately $10 million per quarter since all US pension plan open [ph] liabilities remain with DuPont. Additionally, our procurement teams are aggressively identifying and realizing cost benefits that start hitting the bottom line in the second half. Finally, we expect that current business segment activities will provide structural cost savings and productivity enhancements as we progress throughout the remainder of the year.

Our second quarter results demonstrated that our Fluoroproducts lines are contributing strongly and we expect that trend to accelerate. Viton elastomer and Opteon refrigerants are expected to continue to ramp ups contributing to the top line with attractive margin profiles. Combined with higher volumes in Chemical Solutions we believe these improvements can deliver an incremental $25 million to $30 million in adjusted EBITDA.

Finally, as described before, first half results were depressed due to planned outage expenses. In the second half, higher plan utilization primarily in Fluoroproducts, will contribute another $10 million to $20 million in adjusted EBITDA improvement. In total, we believe that we can deliver approximately $140 million improvement in adjusted EBITDA, a substantial increase over the $272 million realized in the first half.

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

**Mark Vergnano:** Thank you, Mark. Over the next few minutes I'll explain in a lot more detail our five point plan to transform Chemours into a higher value chemistry company. Our focus of this transformation plan is straightforward: significantly delever the company quickly, creating a set of businesses that are each leaders in their industries, and to restructure to really transform into a company that produces higher value for our customers, our employees, and our shareholders.

We'll do 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 our leadership; Four, refocusing our investments on our core businesses; And, five, enhancing our organization to support our transformation to a higher value chemistry company. The financial outcomes of this five point transformation plan are to increase our adjusted EBITDA by approximately $500 million over 2015 and to reduce net leverage to approximately three times both in 2017.

Let me focus on each point in turn. Point one, reducing costs. We've already announced and began restructuring actions that we expect will reduce our structural costs by $40 million in the second half of this year and approximately $80 million annually. These efforts are specifically targeting excess SG&A expenses and plant fixed costs. We have identified further savings in the range of about $120 million from reductions in corporate and business segment SG&A expenses, and further improvements in manufacturing efficiencies.

We are confident we can achieve aggregate reductions of approximately $200 million in 2016. To measure these savings we evaluated our total controllable fixed cost during the last 12 months, this includes SG&A, R&D and plant fixed costs totaling $2.4 billion through June 30, 2015. We expect to achieve an additional $150 million in structural cost savings in 2017 bringing the total over our 2015 starting point to approximately $350 million. This will drop our total controllable fixed costs much more in line with the needs of the business going forward and improve our profitability considerably.

Point two, optimizing our portfolio. We've begun evaluating strategic alternatives for all the businesses in our Chemical Solutions segment with the exception of the cyanides business. Several of the assets under evaluation are very solid and valuable businesses in this segment but they are non-core to our strategic direction. The process that we've undertaken will take some time but we are committed to optimizing our portfolio in the near term to narrow our focus and free up capital for our core businesses.

Point three, grow our market positions. We'll focus on growing our leading market positions in our core businesses including profitable growth by supporting our customer's needs in TiO2 as we start up Altamira in mid-2016, continued our ramp up of our Opteon product line, and our investment in cyanides that increases our capacity by 50% and takes advantage of our customer's growth opportunities.

Point four, refocusing our investments. We expect to reduce capital spending significantly through 2017. Part of this reduction is related to our portfolio optimization and another is the reduction in capital expenditures once we complete Altamira in mid next year. The rest will be the result of concentrating new investments on our core businesses including the next increment of Opteon capacity as well as our, just announced, investment in cyanides capacity. We expect that the combined impact of these three will be a reduction in capital expenditures to approximately $350 million by 2017.

Our fifth and final priority is enhancing our organization by fundamentally changing and shaping our culture to support our transformation to be a more nimble and responsive company. We'll foster an entrepreneurial organization that is customer centered and fully committed to safety as a foundational corporate value. We'll also maintaining a strong commitment to a sustainable future in all the communities that we serve. We believe that executing against these priorities will improve our adjusted EBITDA by approximately $500 million in 2017 while not relying on the recovery of the TiO2 cycle to improve our businesses. It is also expected to improve our leverage from where we stand today to approximately three times net debt to EBITDA over the same period.

Turning to Slide 11 we've laid out the building blocks to improve our profitability. Let's step through each component starting with the savings from our restructuring actions announced and already begun. First, recall that 2015 second order restructuring and pension savings will deliver combined annual savings of $120 million in 2016 or $60 million over the reductions achieved in 2015 as shown on the first bar. As mentioned earlier, these efforts were specifically targeting people related expenses and reduced US pension expenses.

Moving to the 2016 and 2017 cost actions, we expect additional savings from further reductions in corporate and business segment, SG&A expenses and improvement in manufacturing efficiencies. We anticipate an additional $140 million savings in 2016. Finally, we believe SG&A, R&D and plant costs can be further reduced another $150 million in 2017. In total, we expect to achieve structural cost reductions of approximately $350 million in 2017.

Growth in our core businesses is the final piece. We expect the incremental adjusted EBITDA improvement from cyanides, Opteon, and Altamira to be in the range of $150 million in 2017. Taken together, these actions are expected to increase our EBITDA by approximately $500 million over 2015 and again are not dependent on any recovery in the TiO2 markets. The key financial outcome of our transformation plan on Slide 12 is the expected reduction in our net leverage to approximately three times net debt to EBITDA in 2017.

We'll get there through a natural delevering with the earnings growth an additional net debt reduction to get to our desired leverage position. I just described that the combination of cost reductions and business growth are expected to deliver significant earnings improvements over the next few years. In parallel, we expect higher free cash flow from reduced cap ex, improved working capital performance, and potential capital proceeds from asset sales.

We recognize our difficult starting point as a new company. We are confident that our five point plan will quickly transform Chemours into the company that we want and expect it to be and that our actions will deliver the expected results. We have a great deal of work ahead but we have the fundamentals in place and we've already started to implement on our plan. We believe it's achievable if we act with speed, focus, and discipline and we will. As we continue to execute against our priorities we'll share our progress with our shareholders, our customers, and our employees as we move forward.

Now, we'll open the call up for your questions.

**Operator:** Thank you. We will now begin the question and answer session. If you have a question, please press * then 1 on your touchtone phone. If you wish to be removed from the queue, please press the # sign or the hash key. There will be a delay before the first question is announced. If you are using a speakerphone, you may need to pick up the handset first before pressing the numbers. Once again, if you have a question, please press * then 1 from your touchtone phone.

And our first question comes from Bob Court from Goldman Sachs. Your line is open. Please go ahead.

**Bob Court:** Thanks. Good morning. Mark, I wanted to ask on Slide 8 where you show the incremental EBITDA improvements in the second half. I think you made the comment TiO2 is at or near cyclical lows, does that imply a flat second half TiO2 number or does it incorporate some of the price slip we've seen through the second quarter continuing into the second half?

**Mark Vergnano:** Yes, Bob. We're assuming about a flat second half versus first half. We're assuming the conditions are about the same from that standpoint so no significant uplift.

**Bob Court:** If I could ask you on page 12, you gave some targets of your leverage getting in a far improved position over the next couple of years. What does that presume for it? I couldn't tell if you meant asset sales help to get to that three number and/or what your assumption was on a dividend cash outflow to get to that three times leverage.

**Mark Vergnano:** Yes. What we're thinking through from a cash flow standpoint as we put the plan together is obviously we're going to have some working capital improvements. We're going to have the EBITDA lift based on the plan we sort of laid out here and the cost reductions, of course. Outside of working capital we are looking at any proceeds that we would have from a reorganization that we're driving around Chemical Solutions would sort of go in the three buckets, right. One bucket would be obviously to help with the investments that we want to make in cyanides. The second would really be to try to help us, if we have any shutdown cost that we need to do at any of our plant sites, it would cover that as well. Then, the third would be the excess of that would go against net debt so that would be part of that scenario.

If you do the math, obviously we get pretty close to that three just on that EBITDA lift from cost and the growth side. We want to build a little flexibility that we could have some excess cash here to go below three if we want to or to use that for other things.

**Bob Court:** My last one, quickly. You mentioned having a sustainable dividend policy going forward. I know on their call last week when DuPont explained how they established that initial payment, they spoke in some terms towards a sustainable [indiscernible] cycle payment but obviously that's not going to apply here. What is your notion of what sustainable means to the dividend?

**Mark Vergnano:** Yes. I think as I've explained to folks before whether we were on the road [indiscernible] others, the divided in the capital structure that were really put in place by DuPont were done at a concept they were using as mid cycle. Obviously, we're not at mid cycle. As we look forward from a dividend point of view as we've talked to our board around that, when we talk about a sustainable and dependable dividend, we want to be able to bring forward a dividend that would live at all parts of the cycle not one we'd have to pull out of.

**Bob Court:** Thanks.

**Operator:** Thank you. Our next question comes from Duffy Fisher from Barclays. Your line is open. Please go ahead.

**Duffy Fisher:** Yes. Good morning. First question, I want [indiscernible], can you walk us through how you think the timing and the mile markers will be for the PFOA law suits? So the first one this fall, roughly, how long would that take to proceed to a conclusion and then how many appeal levels would you have above that if a case goes against you and how long would those take would you guess?

**Mark Vergnano:** Yes. It's hard to predict that, Duffy. I would say that what's on the docket right now are two cases. There's a few after that. That's all that's on the docket right now. If you remember, this all started as a class action suit that got moved to individual cases. These all will be tried as individual cases. As you can imagine with an individual case you have the trial time and then you have whatever appeals could happen by either side that happen after that. All we have in our timeframe right now is the next two years with the select number of cases laid out and, obviously, beyond that it's just a matter of how things go in the appeals that both sides would want to have. So, it's not a short period of time.

**Duffy Fisher:** Fair. I just wanted to go back and kind of clarify the same question Bob. We were talking about $140 million above the first half, if you just look at pricing in TiO2 obviously the end of the first half was much lower than the beginning so you're starting point if you just flat line price from here would mean that second half the base business would be lower than the first half to add that $140 to. So I just wanted to clarify, basically, you're saying $412 is kind of the right number to think about for the back half and that that base business is going to be flat. Or, you're saying that $140 should be added to kind of the run rate of June 30th pricing.

**Mark Newman:** Yes. I think what we're saying is, listen, at this point we believe we're at or near the cyclical lows on pricing so we're not really, as part of this outlook, anticipating any improvement or any significant deterioration to where we are on pricing today. I think what we're trying to say is, look, we're trying to drive $140 million improvement on the basis that we're not anticipating major movements and pricing from this point.

**Duffy Fisher:** Thank you. Then, just a last one for me. On the $350 million capital spend you're trying to get to, what's the breakout between maintenance and growth in that number?

**Mark Vergnano:** Yes, Duffy. We estimate maintenance somewhere around $200 million to $220 million, somewhere in that range in terms of what we think of is our maintenance capital.

**Duffy Fisher:** Great. Thanks, guys.

**Operator:** Thank you. Our next question comes from John Roberts from UBS. Your line is open. Please go ahead.

**John Roberts:** Good morning, Mark.

**Mark Vergnano:** Hi, John.

**John Roberts:** We've got a record spread between US and European $TiO_2$ prices. In your stable outlook comment that you made, you expect that spread to stay open indefinitely or how does it close? Do we have Europe come up and US come down so the overall combined is kind of stable, in your mind? How were you thinking about that?

**Mark Vergnano:** Yes. Obviously, the desire is for Europe to go up but I think it's going to be a combination of the two. I think you're right and that's the way we're at least looking at it. We think that there's still going to be a little pricing pressure here in North America but we're starting to see some improvement on the European side. I would say that would be a better way to think about it.

**John Roberts:** Then, why the suspense on what the dividend will be? What else does the board need to know to make that decision or is the outlook just too uncertain that they want to wait as late as possible to make a decision?

**Mark Vergnano:** Yes. We've met with the board for the first time. We just met with them this week for the first time. This was their chance to get their hands around it, for us to have a deep conversation about it. They were very clear. They recognized that, in their opinion, $100 million a quarter is not a sustainable level. They weren't trying to get to a real dependable sustainable level of dividend and it takes a little time for them. They want to understand what the market conditions are. They want to understand our business a little bit better. I think they're taking the right time and the right care to do that. I applaud them for doing it the right way from that standpoint. Again, they're trying to do it as quickly as possible with the right facts and that's why they said they really want to be able to get the message out by the end of this quarter.

**John Roberts:** Okay. Thank you.

**Operator:** Thank you. Our next question comes from Lawrence Alexander from Jefferies. Your line is open. Please go ahead.

**Lawrence Alexander:** Good morning. First, on the target you said $140 million of improvements. Can you give a rough sense for how those will be allocated between the different segments? Particularly the tailwind for the second quarter restructuring and the $50 million to $60 million in structural cost savings?

**Mark Vergnano:** Sure. We'll let Mark give you a little bit more detail, Lawrence.

**Mark Newman:** Yes. Lawrence, first of all, the $40 million of restructuring we took in Q2 applies to all the businesses and the corporate segment. Based on the math that you'll see in the queue probably a little less than 25% ended up being people in corporate, the rest in the three businesses and so that should give you a sense of where that flows. The rest of the cost reduction really is tied to lower pension expense as a result of us not having the US pension that DuPont kept. There, that's going to be kind of spread across three businesses plus corporate. So, no, [indiscernible] we think about half of it will end up in corporate and the rest in the three businesses.

Then, really, the other savings which are largely driven by indirect sourcing activity, again, I think are going to be spread across the three businesses with a good portion in corporate as well. Finally, the growth invites [indiscernible] Opteon is obviously primarily in Fluoroproducts, the higher plant utilization is primarily not having the outages we had in Fluoroproducts happening in the second half. So, I'd say the last two buckets are primarily fluoro and then the first two buckets of cost reduction are spread across the three businesses and the corporate segment.

**Lawrence Alexander:** Secondly, on the litigation, can you walk through a little bit the triggers for booking reserves? And, in your experience in the past, do you need a case to be finally settled or is it on the first trial ruling that you need a book of reserve? Also, how does that tie into your covenants?

**Mark Newman:** My understanding is as we mentioned have two cases this year and there's another four scheduled next year. My understanding is it will take some level of activity or some level of determination of outcomes before we'll be able to book a reserve.

With respect to the question related to indebtedness, this is obviously not part of our indebtedness.

**Mark Vergnano:** Lawrence, just to follow up on Mark's point, you've got to be estimable and we don't think that will be for awhile.

**Lawrence Alexander:** Lastly, just a quick one. The assets that you're looking for a strategic return is the DuPont explorer exiting those businesses and was there an active shop process?

**Mark Vergnano:** Actually, we did. As you guys know, I had these businesses for a while so we had in the past we had looked at exiting some of these businesses not all of them, some of these businesses. We pulled back off of that process when we decided to do the spin and just brought these businesses into the spin at that point.

**Lawrence Alexander:** Great. Thank you.

**Operator:** Thank you. Our next question comes from Don Carson from Susquehanna. Your line is open. Please go ahead.

**Michael Ramirez:** Hello. This is Michael Ramirez [ph] for Don Carson. Thank you for taking our question. Regarding environmental issues, what's the probability [ph] your accrued environmental liability increases by your state of risk of $650 million? And, regarding the PFOA litigation, were you not accrued for any liabilities for the 3500 individual personal injury claims, what insurances for recoveries do you have from DuPont?

**Mark Vergnano:** Let me take the first part. When we look at the environmental liabilities, as Mark sort of laid out when he was talking about it, these are very, very well characterized, very well documented sites, as you can see in the charts. Not all of those are actually under active remediation but those that are, very clear to us how to do that. The most likely way that there would be any increase beyond what we have with the accrual is if you have to remediate longer. So, it's a time piece.

We don't see anything that's going to be a surprise during that period of time, we just see that if you had to remediate longer you would have to incur that remediation expense longer and that's the reason why that range is put in there. It's more time related than it is anything else. The second part of your question, there is no connect back to DuPont on any of the litigation piece.

**Michael Ramirez:** Okay. Thanks for that. One quick one on TiO2 regarding utilization rates. Could you give us a sense of utilization rates in 2Q this quarter, your trend over the last year, and expectation within your second half EBITDA improvement?

**Mark Vergnano:** I would say our utilization rates usually fall very closely within the utilization rates of the industry. Right now we're in the 80s, between 80 and 85, and we've been sort of sitting there for a while now. That did not significantly change in the quarter and it hasn't really significantly changed over the past couple of quarters.

**Michael Ramirez:** Great. Thank you.

**Operator:** Thank you. Our next question comes from Christopher Perella from Bloomberg. Your line is open. Please go ahead.

**Christopher Perella:** Good morning. Thank you for taking my question. Focusing on Chemical Solutions, just to clarify, does that mean that you're taking a look at also sulfur products, aniline, and the clean and disinfect chemicals as well as the other two businesses you outlined back in June?

**Mark Vergnano:** Yes. It is, Chris. This is a little bit of change. When we talked in June and we talked on the Road Show, we talked about some of those businesses ex-sulfur [ph] products but we are looking at sulfur products as well.

**Christopher Perella:** Then, a quick one on the extended restructuring. What's the estimated cash outflow for the cost optimization?

**Mark Newman:** Most of the cash outflow would really come from reduction in force and employment. Typically, there, what we're seeing is that really relates to about a one year of severance. In our Q2 restructuring, for example, we took a charge of $61 million related to those cash outflows that would happen over time. Really, the amount will depend on the ratio of what we get from employment reduction, from services which typically have no cash out outflow, as well as any changes that we make in facilities.

**Mark Vergnano:** Then, Chris, maybe just to follow up with Mark just to make sure it's a little clear to everyone. When we look at $350 million of cost reduction, we think of it in three buckets. You have one bucket which would be SG&A, R&D, plant fixed costs which are fairly people related. We've already taken $80 million of cost out in that realm. We think we might have some additional cost to take out in that but, again, we're probably going to have to do a little redesign to be able to do that.

The second piece is around services. From that standpoint, the services that we use today for a variety of things and what we look at as a commodity chemical company like Chemours is what are the services we need versus a company like DuPont. So, from that standpoint, those are just costs that would just go away. There's probably not a cash impact on any of those costs. It's just costs that just go away.

Then, the third bucket is really around facilities, right. You think about plant sites. You think about unprofitable or high cost plan sites. You think about labs. You think about offices. We have a fairly large footprint as we start life last month with a good footprint of assets that we're going to be looking at. You have to think of it in those three buckets. As we get very clear and start implementing off of that, as I said, we already implemented the first piece, the first $80 million, it'll be clear for us in terms of how we can estimate and the cash impact of that.

**Christopher Perella:** Okay. Last one, is there any update on the anti-dumping trade case for the Chinese refrigerants?

**Mark Vergnano:** Yes. We have that in place in terms of with the US government. Obviously, we're not the only company that's participating in that. We feel confident that we have a pretty strong case there and it's being evaluated right now. Hopefully, the Department of Congress and the US International Trade Commission will deal with that in the right way.

**Christopher Perella:** All right. Thank you very much.

**Operator:** Thank you. Our next question comes from Lauren Gallagher from Credit Suisse. Your line is open. Please go ahead.

**Lauren Gallagher:** Hi, guys. How are you? Two questions, first being the EBITDA breakdown for the gross through '17, I was just curious if you think the mid-point on Altamira is still roughly $45 million in additional EBITDA?

**Mark Vergnano:** Yes. We've been still tracking our range of 20 to 70 and that's still the range. Again, it depends on a variety of factors but, yes, that's still the range that we are thinking about.

**Lauren Gallagher:** Great. Then the cyanide, the additional 50% in capacity, you said that's basically going to be on by '17. Do you expect that to be that additional 50% to be generated in the EBITDA in '17 or that's more an '18 or '19 situation?

**Mark Vergnano:** No. It'll be generating in the second half of 2017. Absolutely.

**Lauren Gallagher:** Okay. And, are you comfortable putting kind of a rough number around that or no?

**Mark Vergnano:** The best way I'd say it is it's about 50% increase in capacity. Think of that as about a 50% increase in our earnings.

**Lauren Gallagher:** Okay. Perfect. Then, my final question is on working capital for the second half of this year. I was wondering if you could quantify how much of a source of cash you think it'll be?

**Mark Newman:** Right. Lauren, it's Mark Newman. As you see in our balance sheet, we built up about $300 million of working capital since the beginning of the year which is typical with the seasonality in our business. Some portion of that probably represents the opportunity between now and year-end. I think what we've said in the past is it's several hundred million dollars and I think we still feel that that's the realm of opportunity.

**Lauren Gallagher:** Okay. Great. Thank you very much.

**Operator:** Thank you. Our next question comes from Brian Lolli from Barclays. Your line is open. Please go ahead.

**Brian Lolli:** Hi, guys.  Good morning.  How are you?

**Mark Vergnano:** Hi, Brian.

**Brian Lolli:** Maybe I could start just sort of a high level question around the industry broadly. A lot of your peers in the last couple of weeks have discussed weak pricing as a result of oversupply.  There's been some of that met with capacity reduction.  How do you guys see that?  And, is there anything that you think about doing, obviously, as the market leader, obviously appreciating Altamira's coming online, but just part of that capacity reduction that we're seeing out of other guys?

**Mark Vergnano:** Yes.  When you look at the TiO2 side of our company, what I've always said to folks is TiO2 is the perfect commodity, right.  Everything is dictated off of supply and demand.  Obviously, I've been unsuccessful.  I think my peers have been unsuccessful in really calling where things were going to land here because there's a lot of belief that we would have hit the bottom before, right, so we're still sitting at that trough where we are.  The only two mechanisms to deal with that are going to be the supply side or the demand side.  So demand either popping up or supply coming down.

We've obviously seen what others have done.  We constantly evaluate our plan and try to figure out what's the smart thing to do.  We do know we have our 200,000 tons of capacity coming up next year. We've said all along, we want to bring that in very smartly terms of how we bring that in into the marketplace.  We'll continue to evaluate the landscape and make the best decisions that we can for the company.

**Brian Lolli:** As a follow-up to that, obviously it's been well discussed that you guys have traditionally enjoyed a cost benefit related to your technology and science.  As you're now down at 8% margin, as you were this quarter, what do you think other producers are doing? I guess, broadly, what do you think is happening in China, for instance? What do you think the landscape looks like for producers over there?

**Mark Vergnano:** Yes. Obviously, when you look at all the Chemours we might be at 8%. When you look at our TiO2 business we're still very much in the mid to high teens in EBITDA margins. I think we continue to show that we have the lowest cost position and we'll continue to have the lowest cost position going forward. When you look at China right now and as we've always said, China, we do not believe has a sustainable low cost position. They use a higher cost sulfur process which has a lot of environmental issues associated with it. If you look at the data, China exports are down right now.

We look at this as we are the low-cost player. We're going to continue to invest to be the low-cost player. We have the number one set assets in the industry and we're going to continue to have those.

**Brian Lolli:** Great. Just a couple of quick follow ups. First, on the three times leverage target, I feel like I've heard you mentioned it as a net debt target and that your cash flow would be added to the net debt. Would you want to comment on just the thoughts around gross debt reduction and if there's a target you have on what you think is a comfortable level of funded debt as it relates to the new capital structure post spin?

**Mark Newman:** This is Mark Newman. I think the way we think about it is the first order of business is to drive the EBITDA improvement in our transformation plan which on its own would naturally delever us down to about very close to three times. It's suggest, based on the math, that there's probably a few hundred million of actual debt repayment that would be required to get there. We're certainly open to alternatives around use of free cash flow but we don't think it's a huge number if we actually achieve the earnings improvement that we're setting out to achieve.

**Brian Lolli:** Got it. Understood. Then one last one from me, it's a two-part question on the cash cost related to some of this restructuring. One would be could you reference for us what is left on the amount that you had done severance-wise in June? Then, if there is any comments around just cash cost related to this larger $500 million? What should we expect to be putting in our models from a cost to achieve those synergies or cost reductions?

**Mark Newman:** As Mark said, I think we have the three buckets that we're looking at. Really, for us to give you anything more specific at this time would be inappropriate. The accrual that we took in Q2 relates to the people, of the $61 million, relates to approximately 500 people that were identified in that activity. At this point looking forward we really can't estimate any future headcount actions at this time but we recognize that that is going to be a likely part of our restructuring going forward.

**Brian Lolli:** Okay. That's great. Thanks for the time, guys. I appreciate it.

**Mark Vergnano:** Sure thing.

**Moderator:** Thank you. We have no further questions at this time. I would now like to turn the call over to Mr. Mark Vergnano for closing remarks.

**Mark Vergnano:** Thank you. Listen, thanks everyone for taking the time with us. Hopefully, you'll see and you'll continue to see we have a very solid plan that we are committed to implement to really transform ourselves and transform Chemours into a higher value chemistry company. It's an aggressive plan that we are all signed up for and we will continue to provide you updates and also proof points on the progress as we're moving forward. Again, I just want to thank you all for your interest in Chemours. Thanks again.

**Operator:** Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.